

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Copley-Fairlawn City School District, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 28, 2011

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**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Summit County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Copley-Fairlawn City School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Ohio, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and restated the June 30, 2010 fund balances of the General Fund, nonmajor governmental funds, and the Agency Fund due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the Copley-Fairlawn City School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copley-Fairlawn City School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

October 25, 2011

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

This discussion and analysis of Copley-Fairlawn City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General revenues accounted for \$32,884,767 or 89.22% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,975,268 or 10.78% of total revenues of \$36,860,035.
- Governmental expenses totaled \$35,334,652; program revenues offset only \$3,975,268 of these expenses. General revenues of \$32,884,767 were adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$21,115,025, or 59.76% of all governmental expenses.
- At the end of the fiscal year, the general fund had a balance of \$8,016,387, an increase of \$2,012,226 over the prior year.
- Fiscal year end 2012 will be the last year for the current Permanent Improvement Levy.

Using this Annual Financial Report

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

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

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Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2011?" The statement of net assets and statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	Restated <u>2010</u>
Assets		
Current and other assets	\$ 40,201,402	\$ 35,849,116
Capital assets, net of depreciation	<u>18,963,927</u>	<u>19,677,152</u>
Total assets	<u>59,165,329</u>	<u>55,526,268</u>
Liabilities		
Current and other liabilities	28,040,842	24,401,923
Long-term liabilities:		
Due within one year	1,780,026	1,743,647
Due in more than one year	<u>4,294,734</u>	<u>5,856,354</u>
Total liabilities	<u>34,115,602</u>	<u>32,001,924</u>
Net Assets		
Invested in capital assets, net of debt	14,692,758	13,882,942
Restricted	2,590,276	2,298,953
Unrestricted	<u>7,766,693</u>	<u>7,342,449</u>
Total net assets	<u>\$ 25,049,727</u>	<u>\$ 23,524,344</u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2011, the School District had an increase in net assets of \$1,525,383.

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

A portion of the School District's net assets, \$2,590,276, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$824,561 is restricted for debt service payments, \$1,570,819 is restricted for capital projects and \$194,896 is restricted for other purposes. The remaining balance of net assets of \$7,766,693 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows change in net assets for fiscal year 2011 compared to fiscal year 2010.

Table 2
Change in Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,563,884	\$ 1,424,156
Operating grants, contributions and interest	2,391,384	2,692,945
Capital grants and contributions	20,000	-
General revenues:		
Property taxes	24,935,764	24,247,425
Grants and entitlements	7,760,886	7,280,372
Investment earnings	24,232	17,369
Gain on the sale of capital assets	2,648	-
Gifts and donations	-	111,793
Miscellaneous	161,237	137,606
Total revenues	<u>36,860,035</u>	<u>35,911,666</u>
Program Expenses		
Instruction:		
Regular	17,368,376	17,806,574
Special	3,160,222	3,152,139
Vocational	586,427	588,375
Support services:		
Pupils	1,725,396	1,927,324
Instructional staff	1,701,910	1,530,139
Board of education	141,438	202,262
Administration	1,988,604	1,888,944
Fiscal	967,821	969,777
Business	128,876	138,552
Operation and maintenance of plant	2,862,571	2,965,566
Pupil transportation	1,725,038	1,588,765
Central	243,473	244,096
Operation of non-instructional services:		
Food service operations	883,742	902,771
Community services	549,332	736,313
Extracurricular activities	1,158,546	1,169,047
Interest and fiscal charges	142,880	201,102
Total expenses	<u>35,334,652</u>	<u>36,011,746</u>
Increase (decrease) in net assets	<u>\$ 1,525,383</u>	<u>\$ (100,080)</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

Several revenue sources fund the School District's governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$24.9 million in 2011. General revenues from grants and entitlements, such as the school foundation program, generated over \$7.7 million. With the combination of taxes and intergovernmental funding 88.7% of all revenues, School District management monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$21,115,025, or 59.76% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$3,427,306, or 9.70%, of the total governmental program expenses.

The Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$3,226,739, or 9.13%, of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of School District operations. The total cost for the operation and maintenance services was \$2,862,571, or 8.10%, of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2011 as compared to fiscal year 2010.

Copley-Fairlawn City School District

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011
 Unaudited

Table 3
 Governmental Activities

Program Expenses	Total Cost of Services		Net Cost of Services	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction:				
Regular	\$ 17,368,376	\$ 17,806,574	\$(16,741,874)	\$(17,215,278)
Special	3,160,222	3,152,139	(1,911,246)	(1,584,717)
Vocational	586,427	588,375	(569,593)	(571,808)
Support services:				
Pupils	1,725,396	1,927,324	(1,604,143)	(1,783,082)
Instructional staff	1,701,910	1,530,139	(1,694,615)	(1,526,682)
Board of education	141,438	202,262	(141,438)	(202,262)
Administration	1,988,604	1,888,944	(1,988,604)	(1,888,944)
Fiscal	967,821	969,777	(967,821)	(969,777)
Business	128,876	138,552	(128,876)	(138,552)
Operation and maintenance of plant	2,862,571	2,965,566	(2,831,339)	(2,937,715)
Pupil transportation	1,725,038	1,588,765	(1,725,038)	(1,588,765)
Central	243,473	244,096	(227,098)	(226,523)
Operation on non-instructional services:				
Food service operations	883,742	902,771	(53,206)	(49,020)
Community services	549,332	736,313	91,014	(167,952)
Extracurricular activities	1,158,546	1,169,047	(722,627)	(842,466)
Interest and fiscal charges	142,880	201,102	(142,880)	(201,102)
Total	<u>\$ 35,334,652</u>	<u>\$ 36,011,746</u>	<u>\$(31,359,384)</u>	<u>\$(31,894,645)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$38,517,623, and total expenditures were \$35,726,925. Table 4 shows fiscal year 2011 fund balances compared to fiscal year 2010.

Table 4
 Fund Balances

	Fund Balance <u>June 30, 2011</u>	Restated	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
		Fund Balance <u>June 30, 2010</u>		
General	\$ 8,016,387	\$ 6,004,161	\$ 2,012,226	33.51%
Other governmental	<u>2,536,148</u>	<u>1,744,762</u>	<u>791,386</u>	45.36%
Total	<u>\$ 10,552,535</u>	<u>\$ 7,748,923</u>	<u>\$ 2,803,612</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund

The general fund is reporting a fund balance of \$8,016,387, an increase of \$2,012,226 from 2010. The increase in fund balance can be attributed to an increase in property tax revenues and revenues exceeding expenditures for the current year. Expenditures also slightly decreased from the prior year. Table 5 assists in illustrating the financial activities of the general fund.

Table 5
General Fund Changes in Revenues and Expenditures

	2011 Amount	2010 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 24,333,747	\$ 22,061,257	\$ 2,272,490	10.30%
Intergovernmental	7,434,825	6,963,983	470,842	6.76%
Interest	24,096	16,399	7,697	46.94%
Tuition and fees	541,969	474,837	67,132	14.14%
Gifts and donations	24,308	2,500	21,808	872.32%
Customer services	26,184	10,011	16,173	161.55%
Rent	31,232	27,851	3,381	12.14%
Miscellaneous	199,919	135,107	64,812	47.97%
Total revenues	<u>32,616,280</u>	<u>29,691,945</u>	<u>2,924,335</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,183,993	16,884,366	(700,373)	-4.15%
Special	2,175,948	1,578,115	597,833	37.88%
Vocational	571,419	573,655	(2,236)	-0.39%
Support services:				
Pupils	1,596,118	1,754,236	(158,118)	-9.01%
Instructional staff	1,674,120	1,496,132	177,988	11.90%
Board of education	141,438	202,262	(60,824)	-30.07%
Administration	1,974,543	1,794,267	180,276	10.05%
Fiscal	917,547	929,506	(11,959)	-1.29%
Business	128,652	135,796	(7,144)	-5.26%
Operation and maintenance of plant	2,547,550	2,754,433	(206,883)	-7.51%
Pupil transportation	1,612,320	1,476,036	136,284	9.23%
Central	226,340	225,159	1,181	0.52%
Operation of non-instructional services:				
Community service	71,067	75,258	(4,191)	-5.57%
Extracurricular activities	668,258	724,397	(56,139)	-7.75%
Capital outlay	45,741	62,174	(16,433)	-26.43%
Total expenditures	<u>\$ 30,535,054</u>	<u>\$ 30,665,792</u>	<u>\$ (130,738)</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2011, the School District amended its general fund revenue budget as more accurate property tax, State foundation and grant information became available. The School District amended its general fund expenditures budget several times during the year but none were significant. All budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue and other financing sources estimate was \$28,675,119. This amount was changed during the year, resulting in a final revenue budget revenue and other financing sources of \$31,362,779. Actual revenue and other financing sources reported was \$32,235,525, the change was \$872,746 from the final budget and was \$3,560,406 more than the original budgeted amount.

The original expenditures and other financing uses estimate of \$32,175,225 was revised during the fiscal year. The final expenditures and other financing uses estimate of \$32,158,950 was \$16,275 lower than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original and final budget posted to several line items of the budget. The actual expenditures and other financing uses however were \$31,880,348, \$278,602 lower than the final budgeted amount. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$18,963,927 invested in land, land improvements, buildings, furniture and equipment, and vehicles. Table 6 shows fiscal year 2011 balances compared to fiscal year 2010.

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,209,729	\$ 1,209,729
Land improvements	913,603	919,744
Buildings	16,119,208	16,795,317
Furniture and equipment	302,611	243,725
Vehicles	418,776	508,637
Total capital assets	<u>\$ 18,963,927</u>	<u>\$ 19,677,152</u>

The total decrease in capital assets is due to current year depreciation expense exceeding acquisitions of the current year. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

At June 30, 2011 the School District had \$4,271,169 in bonds and notes outstanding, including \$84,163 of an unamortized premium from the issuance of the School Facilities Refunding Bonds. Of this outstanding debt, \$1,534,261 is due within one year. Table 7 summarizes the debt outstanding:

Table 7
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
2003 School Facilities Refunding Bonds	\$ 2,650,000	\$ 3,205,000
Unamortized premium	84,163	131,048
2003 Energy Conservation Notes	662,006	743,162
2007 Tax Anticipation Notes	<u>875,000</u>	<u>1,715,000</u>
Total outstanding	<u>\$ 4,271,169</u>	<u>\$ 5,794,210</u>

At June 30, 2011 the School District's overall legal debt limit was \$72,179,022, with an unvoted debt limit of \$833,113. The School District is rated Aaa by Moody's Investors Service. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

Copley-Fairlawn City School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 10,842,411
Inventory held for resale	30,759
Materials and supplies inventory	15,089
Deferred charges	14,232
Receivables:	
Accounts	86,150
Intergovernmental	177,179
Accrued interest	2,715
Taxes	28,957,617
Prepaid items	75,250
Capital assets:	
Land	1,209,729
Depreciable capital assets, net	17,754,198
Total capital assets	<u>18,963,927</u>
Total assets	<u>59,165,329</u>
<u>Liabilities:</u>	
Accounts payable	252,930
Accrued wages	2,332,355
Intergovernmental payable	1,065,462
Accrued interest payable	11,209
Deferred revenue	24,378,886
Long-term liabilities:	
Due within one year	1,780,026
Due in more than one year	4,294,734
Total liabilities	<u>34,115,602</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	14,692,758
Restricted for:	
Capital projects	1,570,819
Debt service	824,561
Other purposes	194,896
Unrestricted	<u>7,766,693</u>
Total net assets	<u><u>\$ 25,049,727</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues				Net (Expense)
					Revenues and
					Changes in
					Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 17,368,376	\$ 323,088	\$ 283,414	\$ 20,000	\$ (16,741,874)
Special	3,160,222	218,881	1,030,095	-	(1,911,246)
Vocational	586,427	16,834	-	-	(569,593)
Support services:					
Pupils	1,725,396	22,491	98,762	-	(1,604,143)
Instructional staff	1,701,910	6,472	823	-	(1,694,615)
Board of education	141,438	-	-	-	(141,438)
Administration	1,988,604	-	-	-	(1,988,604)
Fiscal	967,821	-	-	-	(967,821)
Business	128,876	-	-	-	(128,876)
Operation and maintenance of plant	2,862,571	31,232	-	-	(2,831,339)
Pupil transportation	1,725,038	-	-	-	(1,725,038)
Central	243,473	-	16,375	-	(227,098)
Operation of non-instructional services:					
Food service operations	883,742	534,804	295,732	-	(53,206)
Community services	549,332	9,350	630,996	-	91,014
Extracurricular activities	1,158,546	400,732	35,187	-	(722,627)
Interest and fiscal charges	142,880	-	-	-	(142,880)
Total governmental activities	<u>\$ 35,334,652</u>	<u>\$ 1,563,884</u>	<u>\$ 2,391,384</u>	<u>\$ 20,000</u>	<u>(31,359,384)</u>

General Revenues:

Property taxes levied for:

General purposes	23,079,430
Debt service	1,428,005
Capital outlay	428,329
Grants and entitlements not restricted to specific programs	7,760,886
Gain on sale of capital assets	2,648
Investment earnings	24,232
Miscellaneous	161,237
Total general revenues	<u>32,884,767</u>
Change in net assets	1,525,383
Net assets beginning of year, restated	<u>23,524,344</u>
Net assets end of year	<u>\$ 25,049,727</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 7,760,422	\$ 2,798,896	\$ 10,559,318
Inventory held for resale	-	30,759	30,759
Materials and supplies inventory	11,716	3,373	15,089
Receivables:			
Accounts	80,893	5,257	86,150
Intergovernmental	9,093	168,086	177,179
Accrued interest	2,715	-	2,715
Interfund	517,640	-	517,640
Taxes	27,995,395	962,222	28,957,617
Prepaid items	75,250	-	75,250
Total assets	<u>\$ 36,453,124</u>	<u>\$ 3,968,593</u>	<u>\$ 40,421,717</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 240,089	\$ 12,841	\$ 252,930
Accrued wages	2,214,839	117,516	2,332,355
Interfund payable	-	517,640	517,640
Intergovernmental payable	998,756	66,706	1,065,462
Deferred revenue	24,983,053	717,742	25,700,795
Total liabilities	<u>28,436,737</u>	<u>1,432,445</u>	<u>29,869,182</u>
<u>Fund balances:</u>			
Nonspendable	86,966	34,132	121,098
Restricted	-	2,545,805	2,545,805
Assigned	1,278,600	-	1,278,600
Unassigned	6,650,821	(43,789)	6,607,032
Total fund balances	<u>8,016,387</u>	<u>2,536,148</u>	<u>10,552,535</u>
Total liabilities and fund balances	<u>\$ 36,453,124</u>	<u>\$ 3,968,593</u>	<u>\$ 40,421,717</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total governmental fund balances		\$ 10,552,535
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,963,927
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,321,909	1,321,909
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		283,093
Deferred charges are included in the governmental activities in the statement of net assets.		14,232
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (2,734,163)	
Energy conservation notes	(662,006)	
Tax anticipation notes	(875,000)	
Compensated absences	(1,803,591)	
Accrued interest payable	(11,209)	
Total	<u>(6,085,969)</u>	<u>(6,085,969)</u>
Net assets of governmental activities		<u>\$ 25,049,727</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 24,333,747	\$ 2,184,281	\$ 26,518,028
Intergovernmental	7,434,825	2,760,242	10,195,067
Interest	24,096	124	24,220
Tuition and fees	541,969	-	541,969
Extracurricular activities	-	238,373	238,373
Gifts and donations	24,308	55,881	80,189
Customer services	26,184	534,804	560,988
Rent	31,232	-	31,232
Miscellaneous	199,919	127,638	327,557
Total revenues	<u>32,616,280</u>	<u>5,901,343</u>	<u>38,517,623</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	16,183,993	310,803	16,494,796
Special	2,175,948	943,117	3,119,065
Vocational	571,419	-	571,419
Support services:			
Pupils	1,596,118	99,082	1,695,200
Instructional staff	1,674,120	10,272	1,684,392
Board of education	141,438	-	141,438
Administration	1,974,543	-	1,974,543
Fiscal	917,547	41,964	959,511
Business	128,652	-	128,652
Operation and maintenance of plant	2,547,550	133,131	2,680,681
Pupil transportation	1,612,320	-	1,612,320
Central	226,340	16,375	242,715
Operation of non-instructional services:			
Food service operations	-	878,539	878,539
Community services	71,067	482,179	553,246
Extracurricular activities	668,258	396,210	1,064,468
Capital outlay	45,741	215,406	261,147
Debt service:			
Principal retirement	-	1,476,156	1,476,156
Interest and fiscal charges	-	188,637	188,637
Total expenditures	<u>30,535,054</u>	<u>5,191,871</u>	<u>35,726,925</u>
Excess of revenues over expenditures	<u>2,081,226</u>	<u>709,472</u>	<u>2,790,698</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of capital assets	-	12,914	12,914
Transfers in	-	69,000	69,000
Transfers out	(69,000)	-	(69,000)
Total other financing sources (uses)	<u>(69,000)</u>	<u>81,914</u>	<u>12,914</u>
Net change in fund balances	2,012,226	791,386	2,803,612
Fund balances at beginning of year, restated	<u>6,004,161</u>	<u>1,744,762</u>	<u>7,748,923</u>
Fund balances at end of year	<u>\$ 8,016,387</u>	<u>\$ 2,536,148</u>	<u>\$ 10,552,535</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 2,803,612

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

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

In the current period, these amounts are:

Capital asset additions	\$ 261,147	
Depreciation expense	<u>(964,106)</u>	
Excess of depreciation expense over capital asset additions		(702,959)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal (10,266)

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

Property taxes	\$ (1,582,264)	
Intergovernmental	<u>(78,108)</u>	
Net change in deferred revenues during the year		(1,660,372)

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,476,156

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

Decrease in compensated absences	\$ 2,200	
Decrease in accrued interest payable	6,801	
Amortization of deferred charge	(7,929)	
Amortization of premium	<u>46,885</u>	
Total additional expenditures		47,957

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. (428,745)

Change in net assets of governmental activities \$ 1,525,383

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual - General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 21,003,857	\$ 22,907,649	\$ 23,787,206	\$ 879,557
Intergovernmental	6,861,191	7,425,732	7,425,732	-
Interest	14,560	19,000	19,000	-
Tuition and fees	466,714	539,185	539,064	(121)
Rent	27,787	32,404	32,404	-
Gifts and donations	2,461	2,808	2,808	-
Customer services	8,908	10,453	10,453	-
Miscellaneous	117,859	133,923	127,233	(6,690)
Total revenues	<u>28,503,337</u>	<u>31,071,154</u>	<u>31,943,900</u>	<u>872,746</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,583,134	17,050,847	16,772,245	278,602
Special	1,666,016	2,162,419	2,162,419	-
Vocational	605,180	560,386	560,386	-
Support services:				
Pupils	1,860,167	1,647,266	1,647,266	-
Instructional staff	1,656,329	1,674,608	1,674,608	-
Board of education	195,637	200,624	200,624	-
Administration	1,880,543	2,000,553	2,000,553	-
Fiscal	967,104	950,229	950,229	-
Business	141,000	136,705	136,705	-
Operation and maintenance of plant	2,904,485	2,979,695	2,979,695	-
Pupil transportation	1,565,716	1,661,727	1,661,727	-
Central	248,600	238,761	238,761	-
Operation of non-instructional services:				
Community services	77,230	72,450	72,450	-
Extracurricular activities	738,584	652,825	652,825	-
Capital outlay	500	-	-	-
Total expenditures	<u>32,090,225</u>	<u>31,989,095</u>	<u>31,710,493</u>	<u>278,602</u>
Excess of revenues under expenditures	<u>(3,586,888)</u>	<u>(917,941)</u>	<u>233,407</u>	<u>1,151,348</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	1,754	340	340	-
Refund of prior year expenditures	47,260	52,318	52,318	-
Refund of prior year receipts	-	(1,025)	(1,025)	-
Advances in	122,768	238,967	238,967	-
Advances out	(35,000)	(99,830)	(99,830)	-
Transfers out	(50,000)	(69,000)	(69,000)	-
Total other financing sources (uses)	<u>86,782</u>	<u>121,770</u>	<u>121,770</u>	<u>-</u>
Net change in fund balance	(3,500,106)	(796,171)	355,177	1,151,348
Fund balance at beginning of year	5,802,655	5,802,655	5,802,655	-
Prior year encumbrances appropriated	646,225	646,225	646,225	-
Fund balance at end of year	<u>\$ 2,948,774</u>	<u>\$ 5,652,709</u>	<u>\$ 6,804,057</u>	<u>\$ 1,151,348</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2011

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 283,093
Total assets	<u>\$ 283,093</u>
<u>Net assets:</u>	
Unrestricted	<u>283,093</u>
Total liabilities and net assets	<u>\$ 283,093</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Self Insurance</u>
<u>Operating revenues</u>	
Total operating revenues	<u>\$ -</u>
<u>Operating expenses:</u>	
Purchased services	2,848
Claims	425,765
Other	268
Total operating expenses	<u>428,881</u>
Operating loss	<u>(428,881)</u>
<u>Non-operating revenues</u>	
Interest	<u>136</u>
Change in net assets	(428,745)
Net assets beginning of year	<u>711,838</u>
Net assets end of year	<u>\$ 283,093</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash payments to suppliers for goods and services	\$ (3,116)
Cash payments for claims	(738,722)
Net cash used for operating activities	<u>(741,838)</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	136
Net cash provided by investing activities	<u>136</u>
Net decrease in cash and cash equivalents	(741,702)
Cash and cash equivalents at beginning of year	<u>1,024,795</u>
Cash and cash equivalents at end of year	<u>\$ 283,093</u>
Reconciliation of operating loss to net cash <u>used for operating activities:</u>	
Operating loss	<u>\$ (428,881)</u>
Change in assets and liabilities:	
<u>Decrease in liabilities:</u>	
Claims payable	<u>(312,957)</u>
Net cash used for operating activities	<u>\$ (741,838)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust <u>Scholarships</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 8,743	\$ 5,103,476
Receivables:		
Accounts	-	1,141
Total assets	<u>\$ 8,743</u>	<u>\$ 5,104,617</u>
<u>Liabilities:</u>		
Accounts payable	\$ 500	\$ 442
Undistributed monies	504	5,022,759
Due to students	-	81,416
Total liabilities	<u>1,004</u>	<u>\$ 5,104,617</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>7,739</u>	
Total net assets	<u>\$ 7,739</u>	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

	<u>Scholarships</u>
<u>Additions:</u>	
Miscellaneous	\$ 2,350
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>3,380</u>
Change in net assets	(1,030)
Net assets beginning of year, restated	<u>8,769</u>
Net assets end of year	<u>\$ 7,739</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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 183 non-certificated and 267 certificated full time teaching personnel, including nine administrators, who provide services to 3,156 students and other community members.

Reporting Entity

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

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

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

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

B. Fund Accounting

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

Governmental Funds:

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

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

Proprietary Funds:

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

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

Fiduciary Fund Types:

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

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

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

E. Budgetary Data

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to STAR Ohio, overnight repurchase agreements, Federal Securities and a US T-Bill. All investments of the School District had maturity periods of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 6.

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance

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

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

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

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

N. Net Assets

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

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Q. Estimates

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS/FUND BALANCE

A. Change in accounting principles

For the fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

B. Restatement of prior year’s fund balance

The implementation of GASB Statement No. 54 and the School District’s review of fund classification and activity had the following effect on net assets and fund balances of the major and nonmajor funds as they were previously reported.

	<u>Governmental Activities</u>	<u>Private Purpose Trust</u>	
Net assets at June 30, 2010	\$ 23,492,270	\$ 6,269	
Change in fund structure	<u>32,074</u>	<u>2,500</u>	
Adjust net assets at July 1, 2010	<u>\$ 23,524,344</u>	<u>\$ 8,769</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balance at June 30, 2010	\$ 5,908,899	\$ 1,807,950	\$ 7,716,849
Change in fund structure	<u>95,262</u>	<u>(63,188)</u>	<u>32,074</u>
Adjusted fund balance at July 1, 2010	<u>\$ 6,004,161</u>	<u>\$ 1,744,762</u>	<u>\$ 7,748,923</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

NOTE 4 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Materials and supplies inventory	\$ 11,716	\$ 34,132	\$ 45,848
Prepays	<u>75,250</u>	<u>-</u>	<u>75,250</u>
Total nonspendable	<u>86,966</u>	<u>34,132</u>	<u>121,098</u>
<u>Restricted for</u>			
Athletics	-	143,205	143,205
Auxiliary services	-	71,970	71,970
State grants	-	988	988
Federal grants	-	13,349	13,349
Capital improvements	-	1,508,304	1,508,304
Debt service payments	<u>-</u>	<u>807,989</u>	<u>807,989</u>
Total restricted	<u>-</u>	<u>2,545,805</u>	<u>2,545,805</u>
<u>Assigned</u>			
Rotary	1,210	-	1,210
Public school support	67,086	-	67,086
Encumbrances	429,605	-	429,605
Next fiscal year budget	<u>780,699</u>	<u>-</u>	<u>780,699</u>
Total assigned	<u>1,278,600</u>	<u>-</u>	<u>1,278,600</u>
Unassigned (deficit)	<u>6,650,821</u>	<u>(43,789)</u>	<u>6,607,032</u>
Total fund balances	<u>\$ 8,016,387</u>	<u>\$ 2,536,148</u>	<u>\$ 10,552,535</u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 2,012,226
Revenue accruals	(537,704)
Advances in	238,967
Expenditure accruals	(400,198)
Advances out	(99,830)
Budgeted as part of special revenue funds:	
Revenues	(82,018)
Expenditures	101,595
Encumbrances (Budget Basis) outstanding at year end	<u>(877,861)</u>
Budget basis	<u>\$ 355,177</u>

NOTE 6 - 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

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

A. Deposits:

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

As of June 30, the carrying amount of the School District's deposits was \$1,907,301. The School District's bank balance of \$2,699,371 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and in the School District's name	\$ 14,008
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Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

B. Investments:

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

Investment type	Fair Value	Percentage of		Maturity
		Single Issurer Ratio	Portfolio Ratio	
Government sponsored securities:				
Federal Home Loan Bank bond	\$ 200,002			8/25/2011
Federal Home Loan Bank bond	399,868			3/20/2013
Federal Home Loan Bank bond	399,140			6/28/2013
Federal Home Loan Bank note	319,754			2/17/2012
Total FHLB	<u>1,318,764</u>	11%	9%	
Federal Home Loan Mortgage Corp. bond	150,036			7/27/2012
Federal Home Loan Mortgage Corp. bond	405,352			9/28/2012
Federal Home Loan Mortgage Corp. bond	499,900			11/30/2012
Federal Home Loan Mortgage Corp. bond	450,149			10/28/2013
Total FHLMC	<u>1,505,437</u>	12%	11%	
Federal National Mortgage Assn. bond	325,097			10/30/2012
Federal National Mortgage Assn. bond	249,963			12/18/2013
Total FNMA	<u>575,060</u>	5%	4%	
Total government sponsored securities	<u>3,399,261</u>			
US Treas Bill	599,208		4%	5/3/2012
Repurchase agreement underlying security:				
Federal Home Loan Mortgage Corp. bond	3,685,000	30%	26%	Daily
Federal National Mortgage Assn. bond	5,370,000	42%	39%	Daily
StarOhio	993,860		7%	58.3 days (average)
	<u>\$ 14,047,329</u>			

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

All interest is legally required to be placed in the general fund, the food service and auxiliary services special revenue funds and the self-insurance internal service fund. Due to these provisions, the general fund received \$24,096, of which \$5,482 was assigned from other School District funds.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$9,055,000 investment in a repurchase agreement is to be secured by the specific securities upon which the repurchase agreements are based. The securities, held by the counterparty and not in the School District's name, are a Federal Home Loan Mortgage Corporation (FHLM) bond and a Federal National Mortgage Association (FNMA) bond. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law. Standard and Poor's has assigned STAROhio an AAAM rating and the FHLB, FHLMC and FNMA bonds and note an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 10 percent of the School District's investments are in government sponsored securities including the underlying investments of the repurchase agreement. The School District places no limit on the amount that may be invested in any one issuer. The table above shows the percentage of these investments held by the School District at June 30, 2011.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments 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 June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$3,012,342 in the general fund, \$73,993 in the bond retirement debt service fund, and \$170,487 in the permanent improvement capital project fund. The amount available as an advance at June 30, 2010, was \$2,465,801 in the general fund, \$72,856 in the bond retirement debt service fund, and \$166,701 in the permanent improvement capital project fund.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

The assessed values upon which the fiscal year 2011 taxes were collected are:

<u>Property Category</u>	<u>2010 Assessed Value</u>	<u>2009 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 506,848,570	\$ 503,710,300
Commercial and Industrial	311,362,930	311,153,610
Public Utilities	8,790	9,150
<u>Tangible Personal Property</u>		
General	-	803,020
Public Utilities	14,893,000	14,761,690
Total	<u>\$ 833,113,290</u>	<u>\$ 830,437,770</u>

NOTE 8 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General Fund	\$ 9,093
Special revenue funds:	
Food service	39,446
Education jobs	60,384
IDEA, Part B special education	40,924
Title I	27,332
Total intergovernmental receivable	<u>\$ 177,179</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Capital assets, being depreciated:				
Land improvements	2,538,100	110,199	-	2,648,299
Buildings	34,662,461	7,300	-	34,669,761
Furniture and equipment	3,423,585	143,648	(56,835)	3,510,398
Vehicles	2,241,225	-	-	2,241,225
Total capital assets, being depreciated	<u>42,865,371</u>	<u>261,147</u>	<u>(56,835)</u>	<u>43,069,683</u>
Less: Accumulated depreciation				
Land improvements	(1,618,356)	(116,340)	-	(1,734,696)
Buildings	(17,867,144)	(683,409)	-	(18,550,553)
Furniture and equipment	(3,179,860)	(74,496)	46,569	(3,207,787)
Vehicles	(1,732,588)	(89,861)	-	(1,822,449)
Total accumulated depreciation	<u>(24,397,948)</u>	<u>(964,106)</u>	<u>46,569</u>	<u>(25,315,485)</u>
Total capital assets being depreciated, net	<u>18,467,423</u>	<u>(702,959)</u>	<u>(10,266)</u>	<u>17,754,198</u>
Governmental activities capital assets, net	<u>\$ 19,677,152</u>	<u>\$ (702,959)</u>	<u>\$ (10,266)</u>	<u>\$ 18,963,927</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 593,261
Vocational	4,087
Support services:	
Administration	33,343
Operation and maintenance of plant	135,915
Pupil transportation	96,174
Community services	6,477
Food service operations	1,057
Extracurricular activities	93,792
Total depreciation expense	<u>\$ 964,106</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2011 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 517,640	\$ -
Nonmajor governmental funds	<u>-</u>	<u>517,640</u>
	<u>\$ 517,640</u>	<u>\$ 517,640</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, or (3) payments between funds were made. As of June 30, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2011, the general fund transferred a total of \$69,000 to other nonmajor governmental funds for these purposes.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

B. Health Insurance

The School District has ceased being self-insured. On July 1, 2010, the School District is a participant in the Summit Regional Healthcare Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of five Summit County school districts. The employer participants pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$2,000,000.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

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

	Balance at <u>6/30/2010</u>	Balance at <u>6/30/2011</u>
Unpaid claims, beginning of fiscal year	\$ 333,916	\$ 312,957
Incurred claims (including IBNRs)	2,423,314	425,765
Claim payments	<u>(2,444,273)</u>	<u>(738,722)</u>
Unpaid claims, end of fiscal year	<u>\$ 312,957</u>	<u>\$ -</u>

C. Workers' Compensation

The School District participates in an insurance group rating program. The group rating program allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. The School District pays the State Bureau of Worker's Compensation a premium based on a rate per \$100 of salaries.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefits. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were , \$541,855, \$639,665 and \$475,916 respectively; 54.55 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,188,063, \$2,149,011 and \$1,993,420, respectively; 83.47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$95,078 made by the School District and \$67,913 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$128,095, \$104,430 and \$217,801, respectively; 71.74 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$34,870, \$38,040 and \$39,267, respectively; 54.55 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$168,313, \$165,309 and \$153,340, respectively; 83.47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>
<u>Governmental Long-term Obligations</u>					
<u>Bonds</u>					
2003 School Facilities Refunding					
Bonds, 2.00-4.00%					
Serial bonds	\$ 3,205,000	\$ -	\$ (555,000)	\$ 2,650,000	\$ 575,000
Unamortized premium	131,048	-	(46,885)	84,163	-
Total bonds	<u>3,336,048</u>	<u>-</u>	<u>(601,885)</u>	<u>2,734,163</u>	<u>575,000</u>
<u>Notes</u>					
2007 Tax Anticipation					
Notes, 4.15%	1,715,000	-	(840,000)	875,000	875,000
2003 Energy Conservation Notes					
Notes, 3.79%	743,162	-	(81,156)	662,006	84,261
Total notes	<u>2,458,162</u>	<u>-</u>	<u>(921,156)</u>	<u>1,537,006</u>	<u>959,261</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	<u>1,805,791</u>	<u>232,902</u>	<u>(235,102)</u>	<u>1,803,591</u>	<u>245,765</u>
Total governmental long-term obligations	<u>\$ 7,600,001</u>	<u>\$ 232,902</u>	<u>\$ (1,758,143)</u>	<u>\$ 6,074,760</u>	<u>\$ 1,780,026</u>

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

In 2007, the School District issued \$3,980,000 in Tax Anticipation Notes at an interest rate of 4.15% to pay the costs of remodeling various School District buildings. These notes are to be repaid from the permanent improvement capital project fund and are scheduled to mature in December 2011.

On October 1, 2002, the School District issued \$5,934,990 in General Obligation Bonds with an average interest rate of 3% to advance refund \$5,935,000 of outstanding School Facilities Bonds with an average interest rate of 6.18%. The bond proceeds consisted of bond principal and \$681,479 of premium. The net proceeds of \$5.9 million (after payment of \$115,240 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Facilities Bonds refunded. As a result of this issue, a portion of the School Facilities Bonds are considered to be defeased and the liability has been removed. All of the old bonds that were advanced refunded were called.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2011 are as follows:

Fiscal Year Ending	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	575,000	88,494	959,261	42,346	1,534,261	130,840
2013	590,000	68,103	87,484	21,076	677,484	89,179
2014	590,000	46,715	90,831	17,728	680,831	64,443
2015	595,000	23,900	94,306	14,253	689,306	38,153
2016	300,000	6,000	97,914	10,645	397,914	16,645
2017-2018	-	-	207,210	9,909	207,210	9,909
Total	<u>\$ 2,650,000</u>	<u>\$ 233,212</u>	<u>\$ 1,537,006</u>	<u>\$ 115,957</u>	<u>\$ 4,187,006</u>	<u>\$ 349,169</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating school districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. During fiscal year 2011, the School District contributed \$129,438 to NEONET. This contribution includes purchases of software and related items as well as payment for services. Financial information can be obtained by contacting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2011

The Ohio Schools' Council Association (Council) is a jointly governed organization among 157 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2011 the School District paid \$4,002 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

NOTE 16 - CONTINGENCIES

A. Grants:

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

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

	Textbook Reserve	Capital Maintenance Reserve
Set-aside cash balance as of June 30, 2010	\$ (1,968,737)	\$ -
Current year set-aside requirement	512,057	512,057
Current year offset	-	(813,924)
Qualifying disbursements	<u>(608,402)</u>	<u>(306,256)</u>
Total	<u>\$ (2,065,082)</u>	<u>\$ (608,123)</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2011

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to \$(2,065,082) for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill 30. This balance is therefore not presented as being carried forward to a future fiscal year. Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

NOTE 18- FUND DEFICITS

As of June 30, 2011, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

Fund	Amount
Special revenue funds:	
Food service	\$ 5,816
IDEA, Part B	3,841

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Program Number Year	Non-Cash Receipts	Receipts	Non-Cash Expenditures	Expenditures
U.S. Department of Agriculture					
<i>Passed through State Department of Education</i>					
<i>Child Nutrition Cluster</i>					
National School Lunch Program	10.555 --	\$ 106,105	\$ 231,161	\$ 106,105	\$ 231,161
<i>Total Child Nutrition Cluster</i>		<u>106,105</u>	<u>231,161</u>	<u>106,105</u>	<u>231,161</u>
Total U.S. Department of Agriculture		<u>106,105</u>	<u>231,161</u>	<u>106,105</u>	<u>231,161</u>
U.S. Department of Education					
<i>Passed through State Department of Education</i>					
<i>Title I Cluster</i>					
ARRA - Title I-Grants to Local Educational Agencies	84.389 2010	0	78,108	0	2,463
ARRA - Title I-Grants to Local Educational Agencies	84.389 2011	0	49,748	0	49,247
Title I-Grants to Local Educational Agencies	84.010 2010	0	8,940	0	3,971
Title I-Grants to Local Educational Agencies	84.010 2011	0	219,654	0	227,747
<i>Total Title I Cluster</i>		<u>0</u>	<u>356,450</u>	<u>0</u>	<u>283,428</u>
<i>Special Education Cluster:</i>					
ARRA - Special Education Grants to States	84.391 2010	0	113,001	0	70,348
ARRA - Special Education Grants to States	84.391 2011	0	100,493	0	130,146
Special Education-Grants to States	84.027 2010	0	16,516	0	67,249
Special Education-Grants to States	84.027 2011	0	588,767	0	554,284
<i>Total Special Education-Grants to States</i>		<u>0</u>	<u>818,777</u>	<u>0</u>	<u>822,027</u>
ARRA - Special Education-Preschool Grants	84.392 2010	0	25,738	0	0
ARRA - Special Education-Preschool Grants	84.392 2011	0	0	0	6,000
Special Education-Preschool Grants	84.173 2010	0	10,624	0	10,431
<i>Total Special Education-Preschool Grants</i>		<u>0</u>	<u>36,362</u>	<u>0</u>	<u>16,431</u>
<i>Total Special Education Cluster</i>		<u>0</u>	<u>855,139</u>	<u>0</u>	<u>838,458</u>
English Language Acquisition Grants	84.365 2010	0	4,692	0	0
English Language Acquisition Grants	84.365 2011	0	29,837	0	29,255
Immigration Grants	84.365 2010	0	4,623	0	0
<i>Total CFDA #84.365</i>		<u>0</u>	<u>39,152</u>	<u>0</u>	<u>29,255</u>
Improving Teacher Quality State Grants	84.367 2010	0	4,990	0	7,984
Improving Teacher Quality State Grants	84.367 2011	0	76,331	0	75,845
<i>Total CFDA #84.367</i>		<u>0</u>	<u>81,321</u>	<u>0</u>	<u>83,829</u>
Title II-D Technology State Grants	84.318 2011	0	823	0	798
ARRA - Fiscal Stabilization Grants	84.394 2011	0	147,786	0	147,786
Education Jobs	84.410 2011	0	0	0	60,384
Total U.S. Department of Education		<u>0</u>	<u>1,480,671</u>	<u>0</u>	<u>1,443,938</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 106,105</u>	<u>\$ 1,711,832</u>	<u>\$ 106,105</u>	<u>\$ 1,675,099</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of 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. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: CHILD NUTRITION CLUSTER

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

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

NOTE 3: MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE 4: INTERFUND TRANSFERS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. During fiscal year 2011, the District had no ODE authorized transfers.

JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Summit County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Copley-Fairlawn City School District, Ohio's basic financial statements and have issued our report thereon dated October 25, 2011, wherein we noted that the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and restated the June 30, 2010 governmental activities' net assets and fund balances of the General Fund, nonmajor governmental funds, and the Private-Purpose Trust Fund due to changes in fund structure. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copley-Fairlawn City School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Copley-Fairlawn City School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Copley-Fairlawn City School District, Ohio's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Copley-Fairlawn City School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the management of the Copley-Fairlawn City School District, Ohio, in a separate letter dated October 25, 2011.

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, 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.


James G. Zupka, CPA, Inc.
Certified Public Accountants

October 25, 2011

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the Copley-Fairlawn City School District, Summit County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Copley-Fairlawn Local School District, Ohio's major federal programs for the year ended June 30, 2011. The Copley-Fairlawn City School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Copley-Fairlawn City School District, Ohio's management. Our responsibility is to express an opinion on the Copley-Fairlawn City School District, Ohio's compliance based on our audit.

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

In our opinion, the Copley-Fairlawn City School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Copley-Fairlawn City School District, Ohio, 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 Copley-Fairlawn City School District, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Copley-Fairlawn City School District, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, 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.



James G. Zupka, CPA, Inc.
Certified Public Accountants

October 25, 2011

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Program's Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list): Child Nutrition Cluster: National School Lunch Program - CFDA #10.555 Special Education Cluster: Special Education-Grants to States - CFDA #84.027 ARRA - Special Education-Grants to States - CFDA #84.391 Special Education-Preschool Grants - CFDA #84.173 ARRA - Special Education-Preschool Grants - CFDA #84.392 Title I Cluster: Title I - Grants to Local Educational Agencies - CFDA #84.010 ARRA - Title I - Grants to Local Educational Agencies - CFDA #84.389	
2011(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2011(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.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

The prior audit report, as of June 30, 2010, included no citations or instances of noncompliance. Management letter recommendations were corrected, or procedures instituted to prevent occurrences in this audit period.

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Copley-Fairlawn City School District
3797 Ridgewood Road
Copley, Ohio

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation, or bullying.
2. The Board amended the policy on June 29, 2010. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

October 25, 2011



Dave Yost • Auditor of State

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2012**