

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

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

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, 2011 through June 30, 2012. 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

January 10, 2013

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COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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

Certified Public Accountants

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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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, 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 not a required part of the financial statements. Such information 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.


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

November 9, 2012

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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, 2012. 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 2012 are as follows:

- General revenues accounted for \$35,125,789 or 91.19% 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 \$3,393,449 or 8.81% of total revenues of \$38,519,238.
- Governmental expenses totaled \$35,590,000; program revenues offset only \$3,393,449 of these expenses. General revenues of \$35,125,789 were adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$21,064,895, or 59.19% of all governmental expenses.
- At the end of the fiscal year, the general fund had a balance of \$9,725,707, an increase of \$1,709,320 over the prior year.

Using this Annual Financial Report

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

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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 2012?" 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, 2012
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 2012 compared to 2011.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 42,465,574	\$ 40,201,402
Capital assets, net of depreciation	<u>18,746,160</u>	<u>18,963,927</u>
Total assets	<u>61,211,734</u>	<u>59,165,329</u>
Liabilities		
Current and other liabilities	28,693,427	28,040,842
Long-term liabilities:		
Due within one year	954,408	1,780,026
Due in more than one year	<u>3,584,934</u>	<u>4,294,734</u>
Total liabilities	<u>33,232,769</u>	<u>34,115,602</u>
Net Assets		
Invested in capital assets, net of debt	15,965,837	14,692,758
Restricted	2,625,410	2,590,276
Unrestricted	<u>9,387,718</u>	<u>7,766,693</u>
Total net assets	<u>\$ 27,978,965</u>	<u>\$ 25,049,727</u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2012, the School District had an increase in net assets of \$2,929,238.

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

A portion of the School District's net assets, \$2,625,410, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$412,051 is restricted for debt service payments, \$1,898,713 is restricted for capital projects and \$314,646 is restricted for other purposes. The remaining balance of net assets of \$9,387,718 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Table 2 shows change in net assets for fiscal year 2012 compared to fiscal year 2011.

Table 2
Change in Net Assets

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,366,142	\$ 1,563,884
Operating grants, contributions and interest	1,953,587	2,391,384
Capital grants and contributions	73,720	20,000
General revenues:		
Property taxes	27,969,975	24,935,764
Grants and entitlements	6,970,540	7,760,886
Investment earnings	28,990	24,232
Gain on the sale of capital assets	-	2,648
Miscellaneous	156,284	161,237
Total revenues	<u>38,519,238</u>	<u>36,860,035</u>
Program Expenses		
Instruction:		
Regular	17,288,991	17,368,376
Special	3,181,423	3,160,222
Vocational	594,481	586,427
Support services:		
Pupils	1,737,213	1,725,396
Instructional staff	1,668,967	1,701,910
Board of education	97,180	141,438
Administration	1,905,069	1,988,604
Fiscal	1,044,193	967,821
Business	124,536	128,876
Operation and maintenance of plant	3,330,573	2,862,571
Pupil transportation	1,682,702	1,725,038
Central	224,566	243,473
Operation of non-instructional services:		
Food service operations	791,983	883,742
Community services	602,483	549,332
Extracurricular activities	1,214,235	1,158,546
Interest and fiscal charges	101,405	142,880
Total expenses	<u>35,590,000</u>	<u>35,334,652</u>
Increase in net assets	<u>\$ 2,929,238</u>	<u>\$ 1,525,383</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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 \$27.9 million in 2012. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.9 million. With the combination of taxes and intergovernmental funding 90.7% 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 \$21,064,895, or 59.19% 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 \$3,406,180, or 9.57%, 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 \$3,170,978, or 8.91%, of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of School District operations. The total cost for the operation and maintenance services was \$3,330,573, or 9.36%, 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 2012 as compared to fiscal year 2011.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Table 3
Governmental Activities

Program Expenses	Total Cost of Services		Net Cost of Services	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Instruction:				
Regular	\$ 17,288,991	\$ 17,368,376	\$(16,729,235)	\$(16,741,874)
Special	3,181,423	3,160,222	(2,190,654)	(1,911,246)
Vocational	594,481	586,427	(576,294)	(569,593)
Support services:				
Pupils	1,737,213	1,725,396	(1,711,101)	(1,604,143)
Instructional staff	1,668,967	1,701,910	(1,667,173)	(1,694,615)
Board of education	97,180	141,438	(97,180)	(141,438)
Administration	1,905,069	1,988,604	(1,905,069)	(1,988,604)
Fiscal	1,044,193	967,821	(1,044,193)	(967,821)
Business	124,536	128,876	(124,536)	(128,876)
Operation and maintenance of plant	3,330,573	2,862,571	(3,306,794)	(2,831,339)
Pupil transportation	1,682,702	1,725,038	(1,682,702)	(1,725,038)
Central	224,566	243,473	(215,566)	(227,098)
Operation on non-instructional services:				
Food service operations	791,983	883,742	15,265	(53,206)
Community services	602,483	549,332	(45,855)	91,014
Extracurricular activities	1,214,235	1,158,546	(814,059)	(722,627)
Interest and fiscal charges	101,405	142,880	(101,405)	(142,880)
Total	<u>\$ 35,590,000</u>	<u>\$ 35,334,652</u>	<u>\$(32,196,551)</u>	<u>\$(31,359,384)</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 \$38,569,181, and total expenditures were \$36,998,629. Table 4 shows fiscal year 2012 fund balances compared to fiscal year 2011.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 9,725,707	\$ 8,016,387	\$ 1,709,320	21.32%
Other governmental	<u>2,529,280</u>	<u>2,536,148</u>	<u>(6,868)</u>	<u>-0.27%</u>
Total	<u>\$ 12,254,987</u>	<u>\$ 10,552,535</u>	<u>\$ 1,702,452</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

General Fund

The general fund is reporting a fund balance of \$9,725,707, an increase of \$1,709,320 from 2011. The increase in fund balance can be attributed to an increase in property tax revenues and revenues exceeding expenditures for the current year. Table 5 assists in illustrating the financial activities of the general fund.

Table 5
General Fund Changes in Revenues and Expenditures

	2012 Amount	2011 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 25,981,999	\$ 24,333,747	\$ 1,648,252	6.77%
Intergovernmental	6,767,028	7,434,825	(667,797)	-8.98%
Interest	28,990	24,096	4,894	20.31%
Tuition and fees	412,085	541,969	(129,884)	-23.97%
Gifts and donations	15,350	24,308	(8,958)	-36.85%
Customer services	25,894	26,184	(290)	-1.11%
Rent	23,779	31,232	(7,453)	-23.86%
Miscellaneous	186,480	199,919	(13,439)	-6.72%
Total revenues	<u>33,441,605</u>	<u>32,616,280</u>	<u>825,325</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,491,051	16,183,993	307,058	1.90%
Special	2,406,671	2,175,948	230,723	10.60%
Vocational	588,230	571,419	16,811	2.94%
Support services:				
Pupils	1,790,722	1,596,118	194,604	12.19%
Instructional staff	1,664,622	1,674,120	(9,498)	-0.57%
Board of education	97,180	141,438	(44,258)	-31.29%
Administration	1,877,274	1,974,543	(97,269)	-4.93%
Fiscal	1,005,056	917,547	87,509	9.54%
Business	123,654	128,652	(4,998)	-3.88%
Operation and maintenance of plant	2,965,436	2,547,550	417,886	16.40%
Pupil transportation	1,565,619	1,612,320	(46,701)	-2.90%
Central	214,786	226,340	(11,554)	-5.10%
Operation of non-instructional services:				
Community service	77,001	71,067	5,934	8.35%
Extracurricular activities	690,993	668,258	22,735	3.40%
Capital outlay	218,390	45,741	172,649	377.45%
Debt service:				
Principal retirement	19,853	-	19,853	100.00%
Interest and fiscal charges	5,747	-	5,747	100.00%
Total expenditures	<u>\$ 31,802,285</u>	<u>\$ 30,535,054</u>	<u>\$ 1,267,231</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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 2012, 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 \$34,442,032. This amount was changed during the year, resulting in a final revenue budget revenue and other financing sources of \$33,932,050. Actual revenue and other financing sources reported was \$33,953,740, the change was \$21,690 from the final budget and was \$488,292 less than the original budgeted amount.

The original expenditures and other financing uses estimate of \$33,067,861 was revised during the fiscal year. The final expenditures and other financing uses estimate of \$33,070,829 was \$2,968 higher 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 \$32,672,584, \$398,245 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 2012, the School District had \$18,746,160 invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 6 shows fiscal year 2012 balances compared to fiscal year 2011.

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land and construction in progress	\$ 1,310,377	\$ 1,209,729
Land improvements	930,551	937,689
Buildings	15,545,212	16,138,128
Furniture and equipment	341,501	259,605
Vehicles	618,519	418,776
Total capital assets	<u>\$ 18,746,160</u>	<u>\$ 18,963,927</u>

The total decrease in capital assets is due to current year depreciation expense exceeding acquisitions of the current year. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Debt

At June 30, 2012 the School District had \$2,780,323 in bonds, notes and capital leases outstanding, including \$47,431 of an unamortized premium from the issuance of the School Facilities Refunding Bonds. Of this outstanding debt, \$709,695 is due within one year. Table 7 summarizes the debt outstanding:

Table 7
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
2003 School Facilities Refunding Bonds	\$ 2,075,000	\$ 2,650,000
Unamortized premium	47,431	84,163
2003 Energy Conservation Notes	577,745	662,006
2007 Tax Anticipation Notes	-	875,000
Capital leases	<u>80,147</u>	<u>-</u>
Total outstanding	<u>\$ 2,780,323</u>	<u>\$ 4,271,169</u>

At June 30, 2012 the School District's overall legal debt limit was \$66,484,311, with an unvoted debt limit of \$757,925. The School District is rated Aaa by Moody's Investors Service. See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

Copley-Fairlawn City School District
Statement of Net Assets
June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 13,302,949
Inventory held for resale	24,156
Materials and supplies inventory	14,185
Deferred charges	8,021
Receivables:	
Accounts	27,462
Intergovernmental	169,915
Accrued interest	4,123
Taxes	28,911,349
Prepaid items	3,414
Capital assets:	
Land and construction in progress	1,310,377
Depreciable capital assets, net	17,435,783
Total capital assets	<u>18,746,160</u>
Total assets	<u>61,211,734</u>
<u>Liabilities:</u>	
Accounts payable	400,852
Accrued wages	2,296,333
Intergovernmental payable	1,144,541
Accrued interest payable	6,548
Deferred revenue	24,845,153
Long-term liabilities:	
Due within one year	954,408
Due in more than one year	3,584,934
Total liabilities	<u>33,232,769</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	15,965,837
Restricted for:	
Capital projects	1,898,713
Debt service	412,051
Other purposes	314,646
Unrestricted	<u>9,387,718</u>
Total net assets	<u>\$ 27,978,965</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
			Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
	Expenses	Charges for Services			
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 17,288,991	\$ 323,570	\$ 162,466	\$ 73,720	\$ (16,729,235)
Special	3,181,423	88,515	902,254	-	(2,190,654)
Vocational	594,481	18,187	-	-	(576,294)
Support services:					
Pupils	1,737,213	26,112	-	-	(1,711,101)
Instructional staff	1,668,967	-	1,794	-	(1,667,173)
Board of education	97,180	-	-	-	(97,180)
Administration	1,905,069	-	-	-	(1,905,069)
Fiscal	1,044,193	-	-	-	(1,044,193)
Business	124,536	-	-	-	(124,536)
Operation and maintenance of plant	3,330,573	23,779	-	-	(3,306,794)
Pupil transportation	1,682,702	-	-	-	(1,682,702)
Central	224,566	-	9,000	-	(215,566)
Operation of non-instructional services:					
Food service operations	791,983	514,598	292,650	-	15,265
Community services	602,483	7,707	548,921	-	(45,855)
Extracurricular activities	1,214,235	363,674	36,502	-	(814,059)
Interest and fiscal charges	101,405	-	-	-	(101,405)
Total governmental activities	<u>\$ 35,590,000</u>	<u>\$ 1,366,142</u>	<u>\$ 1,953,587</u>	<u>\$ 73,720</u>	<u>(32,196,551)</u>

General Revenues:

Property taxes levied for:

General purposes	25,836,014
Debt service	1,197,715
Capital outlay	936,246
Grants and entitlements not restricted to specific programs	6,970,540
Investment earnings	28,990
Miscellaneous	156,284

Total general revenues 35,125,789

Change in net assets 2,929,238

Net assets beginning of year 25,049,727

Net assets end of year \$ 27,978,965

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 10,025,773	\$ 3,001,555	\$ 13,027,328
Inventory held for resale	-	24,156	24,156
Materials and supplies inventory	11,573	2,612	14,185
<u>Receivables:</u>			
Accounts	25,790	1,672	27,462
Intergovernmental	5,123	164,792	169,915
Accrued interest	4,123	-	4,123
Interfund	344,091	-	344,091
Taxes	26,819,205	2,092,144	28,911,349
Prepaid items	3,414	-	3,414
Total assets	<u>\$ 37,239,092</u>	<u>\$ 5,286,931</u>	<u>\$ 42,526,023</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 132,487	\$ 268,365	\$ 400,852
Accrued wages	2,176,968	119,365	2,296,333
Interfund payable	-	344,091	344,091
Intergovernmental payable	1,072,985	71,556	1,144,541
Deferred revenue	24,130,945	1,954,274	26,085,219
Total liabilities	<u>27,513,385</u>	<u>2,757,651</u>	<u>30,271,036</u>
<u>Fund balances:</u>			
Nonspendable	14,987	26,768	41,755
Restricted	-	2,512,627	2,512,627
Assigned	3,572,978	-	3,572,978
Unassigned	6,137,742	(10,115)	6,127,627
Total fund balances	<u>9,725,707</u>	<u>2,529,280</u>	<u>12,254,987</u>
Total liabilities and fund balances	<u>\$ 37,239,092</u>	<u>\$ 5,286,931</u>	<u>\$ 42,526,023</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, 2012

Total governmental fund balances		\$ 12,254,987
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.		18,746,160
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 1,164,840	
Intergovernmental	<u>75,226</u>	
		1,240,066
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.		275,621
Deferred charges are included in the governmental activities in the statement of net assets.		8,021
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	\$ (2,122,431)	
Energy conservation notes	(577,745)	
Compensated absences	(1,759,019)	
Capital leases	(80,147)	
Accrued interest payable	<u>(6,548)</u>	
Total		<u>(4,545,890)</u>
Net assets of governmental activities		<u>\$ 27,978,965</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 25,981,999	\$ 2,145,045	\$ 28,127,044
Intergovernmental	6,767,028	2,032,733	8,799,761
Interest	28,990	238	29,228
Tuition and fees	412,085	-	412,085
Extracurricular activities	-	217,293	217,293
Gifts and donations	15,350	110,222	125,572
Customer services	25,894	514,598	540,492
Rent	23,779	-	23,779
Miscellaneous	186,480	107,447	293,927
Total revenues	<u>33,441,605</u>	<u>5,127,576</u>	<u>38,569,181</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	16,491,051	199,961	16,691,012
Special	2,406,671	764,725	3,171,396
Vocational	588,230	-	588,230
Support services:			
Pupils	1,790,722	-	1,790,722
Instructional staff	1,664,622	3,489	1,668,111
Board of education	97,180	-	97,180
Administration	1,877,274	-	1,877,274
Fiscal	1,005,056	44,625	1,049,681
Business	123,654	-	123,654
Operation and maintenance of plant	2,965,436	213,009	3,178,445
Pupil transportation	1,565,619	-	1,565,619
Central	214,786	9,000	223,786
Operation of non-instructional services:			
Food service operations	-	785,022	785,022
Community services	77,001	524,063	601,064
Extracurricular activities	690,993	429,066	1,120,059
Capital outlay	218,390	558,283	776,673
Debt service:			
Principal retirement	19,853	1,534,261	1,554,114
Interest and fiscal charges	5,747	130,840	136,587
Total expenditures	<u>31,802,285</u>	<u>5,196,344</u>	<u>36,998,629</u>
Excess of revenues over (under) expenditures	<u>1,639,320</u>	<u>(68,768)</u>	<u>1,570,552</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of capital assets	-	31,900	31,900
Inception of capital lease	100,000	-	100,000
Transfers in	-	30,000	30,000
Transfers out	(30,000)	-	(30,000)
Total other financing sources (uses)	<u>70,000</u>	<u>61,900</u>	<u>131,900</u>
Net change in fund balances	1,709,320	(6,868)	1,702,452
Fund balances at beginning of year	<u>8,016,387</u>	<u>2,536,148</u>	<u>10,552,535</u>
Fund balances at end of year	<u>\$ 9,725,707</u>	<u>\$ 2,529,280</u>	<u>\$ 12,254,987</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, 2012

Net change in fund balances - total governmental funds	\$ 1,702,452
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	\$ 776,673
Depreciation expense	<u>(983,280)</u>
Excess of depreciation expense over capital asset additions	(206,607)
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	(11,160)
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	\$ (157,069)
Intergovernmental	<u>75,226</u>
Net change in deferred revenues during the year	(81,843)
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.	1,534,261
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net assets, the lease obligation is reported as a liability. The following activities are the results of capital lease transactions:	
Inception of a capital lease	<u>\$ (100,000)</u>
Net change caused by capitalized lease transactions	(100,000)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	19,853
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	\$ 44,572
Decrease in accrued interest payable	4,661
Amortization of deferred charge	(6,211)
Amortization of premium	<u>36,732</u>
Total additional expenditures	79,754
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	<u>(7,472)</u>
Change in net assets of governmental activities	<u>\$ 2,929,238</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual - General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 26,755,911	\$ 26,292,373	\$ 26,306,081	\$ 13,708
Intergovernmental	6,618,011	6,770,998	6,770,998	-
Interest	16,071	16,071	23,424	7,353
Tuition and fees	605,019	415,570	414,961	(609)
Rent	22,704	22,704	22,704	-
Gifts and donations	2,950	2,950	2,950	-
Customer services	6,511	6,511	7,707	1,196
Miscellaneous	144,073	133,550	133,532	(18)
Total revenues	<u>34,171,250</u>	<u>33,660,727</u>	<u>33,682,357</u>	<u>21,630</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,617,691	17,329,399	16,931,325	398,074
Special	2,248,450	2,570,838	2,570,838	-
Vocational	584,313	575,987	575,987	-
Support services:				
Pupils	1,717,411	1,884,720	1,884,720	-
Instructional staff	1,768,320	1,730,663	1,730,663	-
Board of education	204,421	160,946	160,946	-
Administration	2,081,378	1,916,075	1,916,075	-
Fiscal	979,628	1,006,698	1,006,698	-
Business	142,595	137,510	137,510	-
Operation and maintenance of plant	3,058,408	3,073,025	3,073,025	-
Pupil transportation	1,634,911	1,674,291	1,674,291	-
Central	245,051	228,303	228,303	-
Operation of non-instructional services:				
Community services	75,485	82,213	82,213	-
Extracurricular activities	679,648	663,261	663,090	171
Capital outlay	151	6,900	6,900	-
Total expenditures	<u>33,037,861</u>	<u>33,040,829</u>	<u>32,642,584</u>	<u>398,245</u>
Excess of revenues over expenditures	<u>1,133,389</u>	<u>619,898</u>	<u>1,039,773</u>	<u>419,875</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	31	31	91	60
Refund of prior year expenditures	97,202	97,743	97,743	-
Advances in	173,549	173,549	173,549	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>240,782</u>	<u>241,323</u>	<u>241,383</u>	<u>60</u>
Net change in fund balance	1,374,171	861,221	1,281,156	419,935
Fund balance at beginning of year	6,804,057	6,804,057	6,804,057	-
Prior year encumbrances appropriated	877,871	877,871	877,871	-
Fund balance at end of year	<u>\$ 9,056,099</u>	<u>\$ 8,543,149</u>	<u>\$ 8,963,084</u>	<u>\$ 419,935</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2012

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 275,621
Total assets	<u>\$ 275,621</u>
<u>Net assets:</u>	
Unrestricted	275,621
Total liabilities and net assets	<u>\$ 275,621</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, 2012

	<u>Self Insurance</u>
<u>Operating revenues</u>	
Total operating revenues	<u>\$ -</u>
<u>Operating expenses:</u>	
Purchased services	1,672
Claims	5,800
Total operating expenses	<u>7,472</u>
Change in net assets	(7,472)
Net assets beginning of year	<u>283,093</u>
Net assets end of year	<u><u>\$ 275,621</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash payments to suppliers for goods and services	\$ (1,672)
Cash payments for claims	(5,800)
Net cash used for operating activities	<u>(7,472)</u>
Net decrease in cash and cash equivalents	(7,472)
Cash and cash equivalents at beginning of year	<u>283,093</u>
Cash and cash equivalents at end of year	<u>\$ 275,621</u>
Reconciliation of operating loss to net cash <u>used for operating activities:</u>	
Operating loss	<u>\$ (7,472)</u>
Change in assets and liabilities:	<u>-</u>
Net cash used for operating activities	<u>\$ (7,472)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 7,131	\$ 4,133,126
Receivables:		
Accounts	-	301
Total assets	<u>\$ 7,131</u>	<u>\$ 4,133,427</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 2,559,032
Intergovernmental payable	-	225
Undistributed monies	-	1,483,063
Due to students	-	91,107
Total liabilities	<u>-</u>	<u>\$ 4,133,427</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>7,131</u>	
Total net assets	<u>\$ 7,131</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, 2012

	<u>Scholarships</u>
<u>Additions:</u>	
Miscellaneous	\$ 500
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>1,108</u>
Change in net assets	(608)
Net assets beginning of year	<u>7,739</u>
Net assets end of year	<u>\$ 7,131</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, 2012

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 181 non-certificated and 280 certificated full time teaching personnel, including ten administrators, who provide services to 3,307 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, 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, 2012

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, 2012

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, 2012

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, 2012

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, 2012, but which were levied to finance fiscal year 2013 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, 2012

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 2012. 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 5.

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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, 2012

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 and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net 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, 2012

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, 2012

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, 2012

NOTE 3 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Materials and supplies inventory	\$ 11,573	\$ 26,768	\$ 38,341
Prepays	3,414	-	3,414
Total nonspendable	<u>14,987</u>	<u>26,768</u>	<u>41,755</u>
<u>Restricted for</u>			
Athletics	-	180,682	180,682
Auxiliary services	-	64,748	64,748
State grants	-	2,167	2,167
Federal grants	-	26,930	26,930
Capital improvements	-	1,844,643	1,844,643
Debt service payments	-	393,457	393,457
Total restricted	<u>-</u>	<u>2,512,627</u>	<u>2,512,627</u>
<u>Assigned</u>			
Rotary	1,193	-	1,193
Public school support	60,495	-	60,495
Encumbrances	496,668	-	496,668
Next fiscal year budget	3,014,622	-	3,014,622
Total assigned	<u>3,572,978</u>	<u>-</u>	<u>3,572,978</u>
Unassigned (deficit)	<u>6,137,742</u>	<u>(10,115)</u>	<u>6,127,627</u>
Total fund balances	<u>\$ 9,725,707</u>	<u>\$ 2,529,280</u>	<u>\$ 12,254,987</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 1,709,320
Revenue accruals	338,377
Prior year adjustment to fair market value of investments	2,381
Current year adjustments to fair market value of investments	(6,539)
Advances in	173,549
Expenditure accruals	44,511
Budgeted as part of special revenue funds:	
Revenues	(95,633)
Expenditures	100,571
Encumbrances (Budget Basis) outstanding at year end	<u>(985,381)</u>
Budget basis	<u>\$ 1,281,156</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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, 2012

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

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

A. Deposits:

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

As of June 30, the carrying amount of the School District's deposits was \$2,251,411. The School District's bank balance of \$2,785,393 was not exposed to custodial credit risk.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

B. Investments:

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

		Percentage of		
		Single	Portfolio	Maturity
		Issuer	Ratio	
		Ratio		
Government sponsored securities:				
Federal Home Loan Bank note	\$ 434,822			03/06/13
Federal Home Loan Bank note	400,204			07/12/13
Federal Home Loan Bank note	160,382			08/28/13
Federal Home Loan Bank note	410,205			10/15/13
Federal Home Loan Bank note	1,054,412			04/30/14
Federal Home Loan Bank note	1,054,374			06/27/14
Federal Home Loan Bank note	318,858			03/13/15
Total FHLB	<u>3,833,257</u>	25%	25%	
Federal Home Loan Mortgage Corp. note	500,580			11/30/12
Federal Home Loan Mortgage Corp. note	<u>169,992</u>			08/06/12
Total FHLMC	<u>670,572</u>	4%	4%	
Federal National Mortgage Assn.	2,835,000			01/01/21
Federal National Mortgage Assn.	4,335,000			10/01/35
Federal National Mortgage Assn. note	325,266			10/30/12
Federal National Mortgage Assn. note	251,653			12/18/13
Federal National Mortgage Assn. note	100,142			12/19/14
Federal National Mortgage Assn. note	114,991			05/29/15
Federal National Mortgage Assn. note	<u>841,634</u>			10/30/15
Total FNMA	<u>8,803,686</u>	58%	58%	
Total government sponsored securities	<u>13,307,515</u>			
US Treasury Bill	889,983		6%	07/19/12
StarOhio	<u>994,297</u>		7%	52.5 days (average)
	<u>\$ 15,191,795</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, 2012.

All interest is legally required to be placed in the general fund, the food service and auxiliary services special revenue funds and the self-insurance internal service fund. Due to these provisions, the general fund received \$28,990, of which \$7,469 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, 2012

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 \$7,170,000 investment in repurchase agreements is to be secured by the specific securities upon which the repurchase agreements are based. The securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Association (FNMA) bonds. 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, 2012.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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, 2012

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Summit County. The Summit County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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, 2012 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, 2012, was \$2,688,260 in the general fund, \$67,638 in the bond retirement debt service fund, and \$145,458 in the permanent improvement capital project fund. 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.

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, 2012

The assessed values upon which the fiscal year 2012 taxes were collected are:

<u>Property Category</u>	<u>2011 Assessed Value</u>	<u>2010 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 471,643,000	\$ 506,848,570
Commercial and Industrial	270,840,570	311,362,930
Public Utilities	9,770	8,790
<u>Tangible Personal Property</u>		
Public Utilities	15,432,050	14,893,000
Total	<u>\$ 757,925,390</u>	<u>\$ 833,113,290</u>

NOTE 7 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General Fund	\$ 5,123
Special revenue funds:	
IDEA, Part B special education	133,878
Title I	30,332
Title II-A	582
Total intergovernmental receivable	<u>\$ 169,915</u>

NOTE 8 - CAPITAL ASSETS

During the fiscal year 2012, there was a reclassification of prior year's balance of capital assets being depreciated and accumulated depreciation between land improvements, building and furniture and equipment. This reclassification did not result in a restatement of the financial statements.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	<u>-</u>	<u>100,648</u>	<u>-</u>	<u>100,648</u>
Total capital assets, not being depreciated	<u>1,209,729</u>	<u>100,648</u>	<u>-</u>	<u>1,310,377</u>
Capital assets, being depreciated:				
Land improvements	2,763,462	116,928	-	2,880,390
Buildings	35,382,384	98,750	-	35,481,134
Furniture and equipment	2,682,612	153,069	(414,533)	2,421,148
Vehicles	<u>2,241,225</u>	<u>307,278</u>	<u>(605,753)</u>	<u>1,942,750</u>
Total capital assets, being depreciated	<u>43,069,683</u>	<u>676,025</u>	<u>(1,020,286)</u>	<u>42,725,422</u>
Less: Accumulated depreciation				
Land improvements	(1,825,773)	(124,066)	-	(1,949,839)
Buildings	(19,244,256)	(691,666)	-	(19,935,922)
Furniture and equipment	(2,423,007)	(60,013)	403,373	(2,079,647)
Vehicles	<u>(1,822,449)</u>	<u>(107,535)</u>	<u>605,753</u>	<u>(1,324,231)</u>
Total accumulated depreciation	<u>(25,315,485)</u>	<u>(983,280)</u>	<u>1,009,126</u>	<u>(25,289,639)</u>
Total capital assets being depreciated, net	<u>17,754,198</u>	<u>(307,255)</u>	<u>(11,160)</u>	<u>17,435,783</u>
Governmental activities capital assets, net	<u>\$ 18,963,927</u>	<u>\$ (206,607)</u>	<u>\$ (11,160)</u>	<u>\$ 18,746,160</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 599,381
Vocational	4,086
Support services:	
Administration	25,333
Operation and maintenance of plant	140,810
Pupil transportation	112,840
Food service operations	6,863
Extracurricular activities	<u>93,967</u>
Total depreciation expense	<u>\$ 983,280</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2012 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 344,091	\$ -
Nonmajor governmental funds	<u>-</u>	<u>344,091</u>
	<u>\$ 344,091</u>	<u>\$ 344,091</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, 2012, all interfund loans outstanding are anticipated to be repaid in fiscal year 2013.

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 2012, the general fund transferred a total of \$30,000 to other nonmajor governmental funds for these purposes.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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

B. Health Insurance

The School District is a participant in the Summit Regional 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.

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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

	Balance at <u>6/30/2011</u>	Balance at <u>6/30/2012</u>
Unpaid claims, beginning of fiscal year	\$ 312,957	\$ -
Incurred claims (including IBNRs)	425,765	5,800
Claim payments	<u>(738,722)</u>	<u>(5,800)</u>
Unpaid claims, end of fiscal year	<u>\$ -</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 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

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 (latest information available), 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, 2012, 2011 and 2010 were, \$492,595, \$541,855 and \$639,665, respectively; 60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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.

Funding Policy - For the fiscal year ended June 30, 2011 (latest information available), 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, 2012, 2011 and 2010 were \$2,010,142, \$2,188,063 and \$2,149,011, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$96,076 made by the School District and \$68,625 made by the plan members.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011 (latest information available), 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 (latest information available), 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, 2012, 2011 and 2010 were \$122,873, \$128,095 and \$104,430, respectively; 75.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011 (latest information available), 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, 2012, 2011 and 2010 were 31,700, \$34,870 and \$38,040, respectively; 60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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 (latest information available), 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, 2012, 2011 and 2010 were \$154,626, \$168,313 and \$165,309, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 13 - 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, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</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	\$ 2,650,000	\$ -	\$ (575,000)	\$ 2,075,000	\$ 590,000
Unamortized premium	84,163	-	(36,732)	47,431	-
Total bonds	<u>2,734,163</u>	<u>-</u>	<u>(611,732)</u>	<u>2,122,431</u>	<u>590,000</u>
<u>Notes</u>					
2007 Tax Anticipation					
Notes, 4.15%	875,000	-	(875,000)	-	-
2003 Energy Conservation Notes					
Notes, 3.79%	662,006	-	(84,261)	577,745	87,484
Total notes	<u>1,537,006</u>	<u>-</u>	<u>(959,261)</u>	<u>577,745</u>	<u>87,484</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	1,803,591	226,149	(270,721)	1,759,019	244,713
Capital lease payable	-	100,000	(19,853)	80,147	32,211
Total other long-term obligations	<u>1,803,591</u>	<u>326,149</u>	<u>(290,574)</u>	<u>1,839,166</u>	<u>276,924</u>
Total governmental					
long-term obligations	<u>\$ 6,074,760</u>	<u>\$ 326,149</u>	<u>\$ (1,861,567)</u>	<u>\$ 4,539,342</u>	<u>\$ 954,408</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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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 were repaid from the permanent improvement capital project fund and matured 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.

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, 2012 are as follows:

<u>Fiscal</u> <u>Year Ending</u>	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	-	101,661	6,899	101,661	6,899
2018	-	-	105,549	3,010	105,549	3,010
Total	<u>\$ 2,075,000</u>	<u>\$ 144,718</u>	<u>\$ 577,745</u>	<u>\$ 73,611</u>	<u>\$ 2,652,745</u>	<u>\$ 218,329</u>

NOTE 14 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During the fiscal year, the School District entered into capitalized lease agreement for the acquisition of copiers. These leases meet the criteria of capital leases as defined by the Financial Accounting Standards Board's Accounting Standards Codification 840 which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by the lease have been capitalized as equipment in the amount of \$100,000. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$19,853.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

Fiscal <u>Year</u>	Lease <u>Payments</u>
2013	\$ 38,400
2014	38,400
2015	12,800
Total minimum lease payments	89,600
Less: amount representing interest	(9,453)
Total	<u>\$ 80,147</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 2012, the School District contributed \$129,167 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.

The Ohio Schools Council (Council) is a jointly governed organization among 161 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 2012, the School District paid \$4,317 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

NOTE 16 – CONTINGENCIES

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

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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 June 30, 2012.

NOTE 17 - STATUTORY RESERVES

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

	Capital Maintenance <u>Reserve</u>
Set-aside cash balance as of June 30, 2011	\$ -
Current year set-aside requirement	557,346
Current year offset	(1,268,759)
Qualifying disbursements	<u>(672,588)</u>
Total	<u>\$ (1,384,001)</u>

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

NOTE 18 - FUND DEFICITS

As of June 30, 2012, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 8,013
Title I	2,102

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Program 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	--	\$ 88,021	\$ 280,054	\$ 88,021	\$ 280,054
<i>Total Child Nutrition Cluster</i>			<u>88,021</u>	<u>280,054</u>	<u>88,021</u>	<u>280,054</u>
Total U.S. Department of Agriculture			<u>88,021</u>	<u>280,054</u>	<u>88,021</u>	<u>280,054</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	2011	0	0	0	501
Title I-Grants to Local Educational Agencies	84.010	2011	0	27,332	0	18,004
Title I-Grants to Local Educational Agencies	84.010	2012	0	205,723	0	205,005
<i>Total Title I Cluster</i>			<u>0</u>	<u>233,055</u>	<u>0</u>	<u>223,510</u>
<i>Special Education Cluster:</i>						
Special Education-Grants to States	84.027	2011	0	40,924	0	75,407
Special Education-Grants to States	84.027	2012	0	475,031	0	452,547
Special Education-Preschool Grants	84.173	2012	0	10,631	0	10,325
<i>Total Special Education Cluster</i>			<u>0</u>	<u>526,586</u>	<u>0</u>	<u>538,279</u>
English Language Acquisition Grants	84.365	2011	0	995	0	1,577
English Language Acquisition Grants	84.365	2012	0	29,400	0	29,400
Immigration Grants	84.365	2011	0	6,264	0	6,264
<i>Total CFDA #84.365</i>			<u>0</u>	<u>36,659</u>	<u>0</u>	<u>37,241</u>
Improving Teacher Quality State Grants	84.367	2012	0	61,892	0	62,378
Title II-D Technology State Grants	84.318	2012	0	1,794	0	1,819
Javits Gifted and Talented Students Education	84.206	2010	0	0	0	1,000
ARRA - Race to the Top	84.395A	2011	0	186	0	0
Education Jobs Fund	84.410	2012	0	60,383	0	0
Education Jobs Fund	84.410	2011	0	1,621	0	1,621
<i>Total CFDA #84.410</i>			<u>0</u>	<u>62,004</u>	<u>0</u>	<u>1,621</u>
Total U.S. Department of Education			<u>0</u>	<u>922,176</u>	<u>0</u>	<u>865,848</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 88,021</u>	<u>\$1,202,230</u>	<u>\$ 88,021</u>	<u>\$ 1,145,902</u>

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

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

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 the ODE authorized transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred 2011 to 2012</u>
Title I - Grants to Local Educational Agencies	84.010	\$ 11,493
Special Education - Preschool Grants	84.173	194
Title II-D Technology State Grants	84.318	25
Improving Teacher Quality State Grants	84.367	486

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**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, 2012, which collectively comprise the Copley-Fairlawn City School District, Ohio's basic financial statements and have issued our report thereon dated November 9, 2012. 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

Management of the Copley-Fairlawn City School District, Ohio, is responsible for establishing and maintaining effective 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 certain matters that we reported to the management of the Copley-Fairlawn City School District, Ohio, in a separate letter dated November 9, 2012.

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

November 9, 2012

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

Certified Public Accountants

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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 the Copley-Fairlawn Local School District, Ohio's major federal program for the year ended June 30, 2012. The Copley-Fairlawn City School District, Ohio's major federal program is 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 its major federal program 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 its major federal program for the year ended June 30, 2012.

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

November 9, 2012

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Program's Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Special Education Cluster: Special Education-Grants to States - CFDA #84.027 Special Education-Preschool Grants - CFDA #84.173	
2012(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2012(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, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2012**

The prior audit report, as of June 30, 2011, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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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 22, 2013**