



OHIO AUDITOR OF STATE
KEITH FABER



**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2020**

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SUMMIT COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321-1695

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

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Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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, 2020. 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 2020 are as follows:

- General revenues accounted for \$40,189,934 or 91.6% of all revenues. Program specific revenues in the form of charges for services and operating grants, contributions and interest accounted for \$3,683,967 or 8.4% of total revenues of \$43,873,901.
- Governmental expenses totaled \$44,834,339; program revenues offset only \$3,683,967 of these expenses. General revenues of \$40,189,934 were not adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$29,015,476, or 64.7% of all governmental expenses.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and required supplementary information. 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 position 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 funds with all other nonmajor funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position 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 2020?" The statement of net position and statement of activities are designed to answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

These two statements report the School District's net position and changes in that net position. This change in net position 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 position and the statement of activities, the School District's 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 funds begins on page 10. 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 funds. The School District's major governmental funds are the general fund and the permanent improvement 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2020, the School District had a decrease in net position of \$960,438. Table 1 provides a summary of the School District's net position for 2020 compared to 2019.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 76,929,642	\$ 76,464,740
Net OPEB asset	2,484,678	2,352,861
Capital assets, net of depreciation	23,437,369	22,469,754
Total assets	<u>102,851,689</u>	<u>101,287,355</u>
Deferred outflows of resources		
Pension	8,734,170	10,845,491
OPEB	1,003,867	595,212
Total deferred outflows of resources	<u>9,738,037</u>	<u>11,440,703</u>
Liabilities		
Current and other liabilities	4,995,867	5,472,285
Long-term liabilities:		
Due within one year	829,405	765,501
Due in more than one year:		
Net pension liability	41,215,702	39,594,716
Net OPEB liability	3,465,692	3,645,469
Other amounts	6,564,643	6,891,261
Total liabilities	<u>57,071,309</u>	<u>56,369,232</u>
Deferred inflows of resources		
Property taxes	31,495,523	30,610,262
Pension	2,183,687	2,917,683
OPEB	4,047,583	4,078,819
Total deferred inflows of resources	<u>37,726,793</u>	<u>37,606,764</u>
Net Position		
Net investment in capital assets	18,196,977	18,648,312
Restricted	276,912	1,808,805
Unrestricted	(682,265)	(1,705,055)
Total net position	<u>\$ 17,791,624</u>	<u>\$ 18,752,062</u>

Net investment in capital assets reported on the government-wide statements represents a large component of net position. 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.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

A portion of the School District's net position, \$276,912, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$11,688 is restricted for capital projects and \$265,224 is restricted for other purposes. The remaining balance of net position of (\$682,265) is unrestricted.

Table 2 shows change in net position for fiscal years 2020 and 2019.

Table 2
Change in Net Position

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,278,650	\$ 1,241,172
Operating grants, contributions and interest	2,405,317	2,483,363
Capital grants and contributions	-	29,940
General revenues:		
Property taxes	33,683,632	34,436,168
Grants and entitlements	5,212,572	5,313,284
Investment earnings	722,325	702,389
Increase (decrease) in fair value of investments	376,576	250,968
Miscellaneous	194,829	130,118
Total revenues	<u>43,873,901</u>	<u>44,587,402</u>
Program Expenses		
Instruction:		
Regular	21,260,137	17,277,891
Special	7,134,296	5,514,903
Vocational	621,043	497,648
Support services:		
Pupils	2,227,391	1,891,933
Instructional staff	735,110	628,632
Board of education	167,424	206,329
Administration	2,548,073	1,961,818
Fiscal	1,141,862	1,069,338
Business	187,591	178,443
Operation and maintenance of plant	3,933,944	3,992,447
Pupil transportation	1,556,161	1,574,225
Central	444,470	381,517
Operation of non-instructional services:		
Food service operations	677,047	656,392
Community services	815,972	781,597
Extracurricular activities	1,240,013	1,059,959
Interest and fiscal charges	143,805	17,146
Total expenses	<u>44,834,339</u>	<u>37,690,218</u>
Increase/(decrease) in net position	(960,438)	6,897,184
Net position beginning of year	<u>18,752,062</u>	<u>11,854,878</u>
Net position end of year	<u>\$ 17,791,624</u>	<u>\$ 18,752,062</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

The net pension liability is the largest single liability reported by the School District at June 30, 2020.

The School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual other postemployment benefits (OPEB) expense for their proportionate share of each plan's change in net pension liability and net OPEB liability or asset, respectively, not accounted for as deferred inflows/outflows.

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 \$33 million in 2020. General revenues from grants and entitlements, such as the school foundation program, generated over \$5.2 million. With the combination of taxes and intergovernmental funding 88.7% of all revenues, School District management monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$29,015,476, or 64.7% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,962,501, or 6.6%, 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 \$4,044,950, or 9.0%, 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 \$3,933,944, or 8.8%, of governmental program expenses.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability, related deferred inflows of resources and an increase in pension expense for the fiscal year which have a negative effect on net position. In addition, the School District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to OPEB, which have a positive impact on net position. The increase and decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability or asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

	<u>2020</u>	<u>2019</u>
Deferred outflows - pension	\$ 8,734,170	\$ 10,845,491
Deferred outflows - OPEB	1,003,867	595,212
Deferred inflows - pension	(2,183,687)	(2,917,683)
Deferred inflows - OPEB	(4,047,583)	(4,078,819)
Net pension liability	(41,215,702)	(39,594,716)
Net OPEB liability	(3,465,692)	(3,645,469)
Net OPEB asset	<u>2,484,678</u>	<u>2,352,861</u>
Impact of GASB 68 and GASB 75 on net position	<u>\$ (38,689,949)</u>	<u>\$ (36,443,123)</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 \$43,328,455, and total expenditures were \$43,813,543. Table 3 shows fiscal year 2020 fund balances compared to fiscal year 2019.

Table 3
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2020</u>	<u>Fund Balance</u> <u>June 30, 2019</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 36,525,573	\$ 35,419,840	\$ 1,105,733	3.12%
Permanent improvement	1,895,462	3,513,418	(1,617,956)	-46.05%
Other governmental	<u>269,249</u>	<u>242,114</u>	<u>27,135</u>	11.21%
Total	<u>\$ 38,690,284</u>	<u>\$ 39,175,372</u>	<u>\$ (485,088)</u>	

General Fund

The general fund is reporting a fund balance of \$36,525,573, an increase of \$1,105,733 from 2019. The increase in fund balance can be attributed to total current year revenues exceeding current year expenditures and an increase in fair value of investments and interest revenues over the prior year.

The fund balance of the permanent improvement fund decreased by \$1,617,956. This decrease was primarily from the completion of capital projects during the year.

Table 4 assists in illustrating the financial activities of the general fund.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

Table 4
General Fund Changes in Revenues and Expenditures

	2020 Amount	2019 Amount	Increase (Decrease)	Percent Change
Revenues:				
Property taxes	\$ 31,643,273	\$ 32,406,662	\$ (763,389)	(2.36%)
Intergovernmental	5,242,328	5,514,193	(271,865)	(4.93%)
Interest	722,325	702,389	19,936	2.84%
Increase (decrease) in fair value of investments	376,576	250,968	125,608	50.05%
Tuition and fees	706,082	427,674	278,408	65.10%
Gifts and donations	4,277	6,423	(2,146)	(33.41%)
Customer services	24,900	30,774	(5,874)	(19.09%)
Rent	17,539	26,151	(8,612)	(32.93%)
Miscellaneous	267,030	207,663	59,367	28.59%
Total revenues	<u>\$ 39,004,330</u>	<u>\$ 39,572,897</u>	<u>\$ (568,567)</u>	
Expenditures:				
Current:				
Instruction:				
Regular	19,240,545	19,333,235	(92,690)	(0.48%)
Special	5,800,481	5,319,022	481,459	9.05%
Vocational	587,983	565,050	22,933	4.06%
Support services:				
Pupils	2,025,774	2,088,693	(62,919)	(3.01%)
Instructional staff	679,782	658,796	20,986	3.19%
Board of education	165,939	206,795	(40,856)	(19.76%)
Administration	2,341,233	2,284,401	56,832	2.49%
Fiscal	1,072,027	1,046,758	25,269	2.41%
Business	169,247	178,267	(9,020)	(5.06%)
Operation and maintenance of plant	3,068,443	3,271,788	(203,345)	(6.22%)
Pupil transportation	1,236,331	1,389,460	(153,129)	(11.02%)
Central	412,838	375,087	37,751	10.06%
Operation of non-instructional services:				
Community service	36,405	38,292	(1,887)	(4.93%)
Extracurricular activities	928,461	914,682	13,779	1.51%
Capital outlay	24,088	72,444	(48,356)	(66.75%)
Debt service:				
Principal retirement	26,967	26,015	952	3.66%
Interest and fiscal charges	2,053	3,005	(952)	(31.68%)
Total expenditures	<u>\$ 37,818,597</u>	<u>\$ 37,771,790</u>	<u>\$ 46,807</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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 2020, 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 \$38,569,095. This amount was changed during the year, resulting in final budgeted revenue and other financing sources of \$39,656,661. Actual revenue and other financing sources reported was \$39,728,264; the change was an increase of \$71,603 from the final budget and was \$1,159,169 greater than the original budgeted amount. These changes were due primarily from taxes and intergovernmental revenues that were not known during the original budget process.

The original expenditures and other financing uses estimate for the fiscal year was \$42,143,854. The final expenditures and other financing uses estimate of \$40,635,840 was \$1,508,014 less than what was originally anticipated. The actual expenditures and other financing uses; however, were \$40,228,036, \$407,804 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 2020, the School District had \$23,437,369 invested in land and construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 5 shows fiscal year 2020 balances compared to fiscal year 2019.

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Land and construction in progress	\$ 1,209,729	\$ 4,993,224
Land improvements	1,063,299	539,973
Buildings	19,436,647	15,322,724
Furniture and equipment	748,107	546,153
Vehicles	979,587	1,067,680
Total capital assets	<u>\$ 23,437,369</u>	<u>\$ 22,469,754</u>

The total increase in capital assets is mainly due an increase in land improvements and building for a project that was completed in the School District during the fiscal 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, 2020

Unaudited

Debt

At June 30, 2020 the School District had \$5,247,313 in notes and capital leases outstanding. Of this outstanding debt, \$552,955 is due within one year. Table 6 summarizes the debt outstanding:

Table 6
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
2019 Permanent Improvement		
Levy Tax Anticipation Notes	\$ 5,205,000	\$ 5,700,000
Capital leases	<u>42,313</u>	<u>69,280</u>
Total outstanding	<u>\$ 5,247,313</u>	<u>\$ 5,769,280</u>

At June 30, 2020, the School District's overall legal debt limit was \$76,967,043, with an unvoted debt limit of \$913,023. 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 Position
June 30, 2020

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 41,111,463
Inventory held for resale	786
Materials and supplies inventory	12,505
Receivables:	
Accounts	25,650
Intergovernmental	536,951
Accrued interest	99,745
Taxes	35,140,148
Prepaid items	2,394
Net OPEB asset	2,484,678
Capital assets:	
Land and construction in progress	1,209,729
Depreciable capital assets, net	22,227,640
Total capital assets	<u>23,437,369</u>
Total assets	<u>102,851,689</u>
<u>Deferred outflows of resources:</u>	
Pension	8,734,170
OPEB	<u>1,003,867</u>
Total deferred outflows of resources	<u>9,738,037</u>
<u>Liabilities:</u>	
Accounts payable	487,229
Accrued wages	2,889,802
Intergovernmental payable	1,608,686
Accrued interest payable	10,150
Long-term liabilities:	
Due within one year	829,405
Due in more than one year:	
Net pension liability	41,215,702
Net OPEB liability	3,465,692
Other amounts due in more than one year	<u>6,564,643</u>
Total liabilities	<u>57,071,309</u>
<u>Deferred inflows of resources:</u>	
Property taxes	31,495,523
Pension	2,183,687
OPEB	<u>4,047,583</u>
Total deferred inflows of resources	<u>37,726,793</u>
<u>Net Position:</u>	
Net investment in capital assets	18,196,977
Restricted for:	
Capital projects	11,688
Other purposes	265,224
Unrestricted	<u>(682,265)</u>
Total net position	<u>\$ 17,791,624</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenues and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 21,260,137	\$ 531,219	\$ 237,123	\$ (20,491,795)
Special	7,134,296	207,692	997,985	(5,928,619)
Vocational	621,043	30,237	200	(590,606)
Support services:				
Pupils	2,227,391	30,699	112,274	(2,084,418)
Instructional staff	735,110	-	18,488	(716,622)
Board of education	167,424	-	-	(167,424)
Administration	2,548,073	-	-	(2,548,073)
Fiscal	1,141,862	-	-	(1,141,862)
Business	187,591	-	-	(187,591)
Operation and maintenance of plant	3,933,944	18,773	16,838	(3,898,333)
Pupil transportation	1,556,161	-	-	(1,556,161)
Central	444,470	-	9,000	(435,470)
Operation of non-instructional services:				
Food service operations	677,047	304,649	232,193	(140,205)
Community services	815,972	-	765,472	(50,500)
Extracurricular activities	1,240,013	155,381	15,744	(1,068,888)
Interest and fiscal charges	143,805	-	-	(143,805)
Total governmental activities	<u>\$ 44,834,339</u>	<u>\$ 1,278,650</u>	<u>\$ 2,405,317</u>	<u>(41,150,372)</u>
<u>General Revenues:</u>				
Property taxes levied for:				
General purposes				32,119,961
Capital outlay				1,563,671
Grants and entitlements not restricted to specific programs				5,212,572
Investment earnings				722,325
Increase in fair value of investments				376,576
Miscellaneous				194,829
Total general revenues				<u>40,189,934</u>
Change in net position				(960,438)
Net position beginning of year				<u>18,752,062</u>
Net position end of year				<u>\$ 17,791,624</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 38,704,333	\$ 1,843,012	\$ 349,238	\$ 40,896,583
Inventory held for resale	-	-	786	786
Materials and supplies inventory	12,505	-	-	12,505
<u>Receivables:</u>				
Accounts	12,903	-	12,747	25,650
Intergovernmental	388,910	-	148,041	536,951
Accrued interest	99,745	-	-	99,745
Interfund	20,293	-	-	20,293
Taxes	33,497,971	1,642,177	-	35,140,148
Prepaid items	2,394	-	-	2,394
Total assets	<u>\$ 72,739,054</u>	<u>\$ 3,485,189</u>	<u>\$ 510,812</u>	<u>\$ 76,735,055</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 413,528	\$ 64,209	\$ 9,492	\$ 487,229
Accrued wages	2,738,435	-	151,367	2,889,802
Interfund payable	-	-	20,293	20,293
Intergovernmental payable	1,560,770	-	47,916	1,608,686
Total liabilities	<u>4,712,733</u>	<u>64,209</u>	<u>229,068</u>	<u>5,006,010</u>
<u>Deferred inflows of resources:</u>				
Property taxes	30,032,887	1,462,636	-	31,495,523
Unavailable revenue - other	220,549	-	12,495	233,044
Unavailable revenue - delinquent property taxes	1,247,312	62,882	-	1,310,194
Total deferred inflows of resources	<u>31,500,748</u>	<u>1,525,518</u>	<u>12,495</u>	<u>33,038,761</u>
<u>Fund balances:</u>				
Nonspendable	14,899	-	-	14,899
Restricted	-	1,895,462	298,988	2,194,450
Assigned	1,085,993	-	-	1,085,993
Unassigned	35,424,681	-	(29,739)	35,394,942
Total fund balances	<u>36,525,573</u>	<u>1,895,462</u>	<u>269,249</u>	<u>38,690,284</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,739,054</u>	<u>\$ 3,485,189</u>	<u>\$ 510,812</u>	<u>\$ 76,735,055</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total governmental fund balances		\$ 38,690,284
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,437,369
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 1,310,194	
Intergovernmental	12,495	
Tuition and fees	220,549	
Total	<u>1,543,238</u>	1,543,238
An internal service fund is used by management to charge the costs of healthcare screenings. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		214,880
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 8,734,170	
Deferred inflows - pension	(2,183,687)	
Net pension liability	(41,215,702)	
Deferred outflows - OPEB	1,003,867	
Deferred inflows - OPEB	(4,047,583)	
Net OPEB liability	(3,465,692)	
Net OPEB asset	2,484,678	
Total	<u>(38,689,949)</u>	(38,689,949)
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:		
Tax anticipation notes	\$ (5,205,000)	
Compensated absences	(2,146,735)	
Capital leases	(42,313)	
Accrued interest payable	(10,150)	
Total	<u>(7,404,198)</u>	(7,404,198)
Net position of governmental activities		<u>\$ 17,791,624</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, 2020

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 31,643,273	\$ 1,539,876	\$ -	\$ 33,183,149
Intergovernmental	5,242,328	136,894	2,206,581	7,585,803
Interest	722,325	-	3,872	726,197
Increase in fair value of investments	376,576	-	-	376,576
Tuition and fees	706,082	-	-	706,082
Extracurricular activities	-	-	113,182	113,182
Gifts and donations	4,277	-	14,245	18,522
Customer services	24,900	-	304,649	329,549
Rent	17,539	-	-	17,539
Miscellaneous	267,030	-	4,826	271,856
Total revenues	39,004,330	1,676,770	2,647,355	43,328,455
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	19,240,545	117,445	58,830	19,416,820
Special	5,800,481	-	934,957	6,735,438
Vocational	587,983	-	-	587,983
Support services:				
Pupils	2,025,774	-	82,839	2,108,613
Instructional staff	679,782	-	21,330	701,112
Board of education	165,939	-	-	165,939
Administration	2,341,233	-	-	2,341,233
Fiscal	1,072,027	29,487	-	1,101,514
Business	169,247	-	-	169,247
Operation and maintenance of plant	3,068,443	186,461	16,838	3,271,742
Pupil transportation	1,236,331	-	-	1,236,331
Central	412,838	-	9,000	421,838
Operation of non-instructional services:				
Food service operations	-	-	645,513	645,513
Community services	36,405	-	751,294	787,699
Extracurricular activities	928,461	-	165,090	1,093,551
Capital outlay	24,088	2,320,590	14,529	2,359,207
Debt service:				
Principal retirement	26,967	495,000	-	521,967
Interest and fiscal charges	2,053	145,743	-	147,796
Total expenditures	37,818,597	3,294,726	2,700,220	43,813,543
Excess of revenues over (under) expenditures	1,185,733	(1,617,956)	(52,865)	(485,088)
<u>Other financing sources (uses):</u>				
Transfers in	-	-	80,000	80,000
Transfers out	(80,000)	-	-	(80,000)
Total other financing sources (uses)	(80,000)	-	80,000	-
Net change in fund balances	1,105,733	(1,617,956)	27,135	(485,088)
Fund balances at beginning of year	35,419,840	3,513,418	242,114	39,175,372
Fund balances at end of year	\$ 36,525,573	\$ 1,895,462	\$ 269,249	\$ 38,690,284

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, 2020

Net change in fund balances - total governmental funds		\$ (485,088)
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	\$ 2,359,207	
Depreciation expense	<u>(1,391,592)</u>	
Excess of capital asset additions over depreciation expense		967,615
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	\$ 500,483	
Intergovernmental	12,134	
Tuition and fees	<u>32,829</u>	
Net change in deferred inflows of resources during the year		545,446
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension		3,240,453
OPEB		95,835
Except for amounts reported as deferred inflows/outflows, changes in the net pension, OPEB liability and OPEB asset are reported as pension/OPEB expense in the statement of activities.		
Pension		(6,238,764)
OPEB		655,650
Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		521,967
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	\$ (259,253)	
Decrease in accrued interest payable	<u>3,991</u>	
Total additional expenditures		(255,262)
The internal service fund used by management to charge the costs of healthcare screenings to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		
		<u>(8,290)</u>
Change in net position of governmental activities		<u><u>\$ (960,438)</u></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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 31,811,659	\$ 32,355,699	\$ 32,355,699	\$ -
Intergovernmental	5,151,172	5,239,267	5,243,141	3,874
Interest	699,322	711,282	762,936	51,654
Tuition and fees	694,571	706,449	706,449	-
Rent	16,084	16,359	20,564	4,205
Gifts and donations	2,401	2,442	2,442	-
Customer services	1,214	1,234	1,234	-
Miscellaneous	192,672	192,459	204,330	11,871
Total revenues	<u>38,569,095</u>	<u>39,225,191</u>	<u>39,296,795</u>	<u>71,604</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	20,651,164	20,007,608	20,007,608	-
Special	6,941,089	6,943,326	6,535,526	407,800
Vocational	565,186	557,690	557,690	-
Support services:				
Pupils	2,400,766	2,190,834	2,190,834	-
Instructional staff	783,021	761,396	761,396	-
Board of education	340,875	253,972	253,972	-
Administration	2,440,339	2,409,297	2,409,295	2
Fiscal	1,086,845	1,082,184	1,082,183	1
Business	188,807	173,518	173,518	-
Operation and maintenance of plant	3,818,391	3,456,130	3,456,129	1
Pupil transportation	1,480,159	1,329,429	1,329,429	-
Central	465,153	396,674	396,674	-
Operation of non-instructional services:				
Community services	51,777	51,052	51,052	-
Extracurricular activities	930,282	933,784	933,784	-
Total expenditures	<u>42,143,854</u>	<u>40,546,894</u>	<u>40,139,090</u>	<u>407,804</u>
Excess of revenues over (under) expenditures	<u>(3,574,759)</u>	<u>(1,321,703)</u>	<u>(842,295)</u>	<u>479,408</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	-	9,933	9,933	-
Refund of prior year expenditures	-	278,023	278,023	-
Advances in	-	143,514	143,513	(1)
Advances out	-	(7,946)	(7,946)	-
Transfers out	-	(81,000)	(81,000)	-
Total other financing sources (uses)	<u>-</u>	<u>342,524</u>	<u>342,523</u>	<u>(1)</u>
Net change in fund balance	(3,574,759)	(979,179)	(499,772)	479,407
Fund balance at beginning of year	33,982,769	33,982,769	33,982,769	-
Prior year encumbrances appropriated	2,327,854	2,327,854	2,327,854	-
Fund balance at end of year	<u>\$ 32,735,864</u>	<u>\$ 35,331,444</u>	<u>\$ 35,810,851</u>	<u>\$ 479,407</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2020

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 214,880
<u>Net position:</u>	
Unrestricted	\$ 214,880
Total liabilities and net position	\$ 214,880

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2020

	Self Insurance
<u>Operating revenues</u>	
Charges for services	\$ 67,757
<u>Operating expenses:</u>	
Purchased services	8,214
Claims	67,483
Other	350
Total operating expenses	76,047
Change in net position	(8,290)
Net position beginning of year	223,170
Net position end of year	\$ 214,880

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, 2020

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 68,149
Cash payments to suppliers for goods and services	(8,564)
Cash payments for claims	<u>(67,483)</u>
Net cash used for operating activities	<u>(7,898)</u>
 Net decrease in cash and cash equivalents	 (7,898)
 Cash and cash equivalents at beginning of year	 <u>222,778</u>
Cash and cash equivalents at end of year	<u>\$ 214,880</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (8,290)</u>
 Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	<u>392</u>
Total adjustments	<u>392</u>
Net cash used for operating activities	<u>\$ (7,898)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 6,131	\$ 154,042
Cash and cash equivalents in segregated accounts	-	5,934,648
Investments in segregated accounts	-	2,783,647
Receivables:		
Accounts	-	825,204
Accrued interest	-	9,161
Total assets	<u>\$ 6,131</u>	<u>\$ 9,706,702</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 2,282,305
Undistributed monies	-	7,269,450
Due to students	-	154,947
Total liabilities	<u>-</u>	<u>\$ 9,706,702</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>6,131</u>	
Total net position	<u>\$ 6,131</u>	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

	<u>Scholarships</u>
<u>Additions:</u>	
Total additions	<u>\$ -</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>-</u>
Change in net position	-
Net position beginning of year	<u>6,131</u>
Net position end of year	<u><u>\$ 6,131</u></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, 2020

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 172 non-certificated and 253 certificated full time teaching personnel, including sixteen administrators, who provide services to 2,826 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 Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), the Four Cities Educational 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 Health Care Consortium (SRHCC) - a separate body corporate and politic comprised of six 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 weekly 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, 2020

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

Fund Financial Statements

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

B. Fund Accounting

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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 and deferred inflows of resources is reported as fund balance. The general fund and the permanent improvement fund are the major funds 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.

Permanent Improvement Fund – The permanent improvement capital projects fund is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

The other governmental funds of the School District account for grants and other resources, whose uses are restricted, committed or assigned to a particular purpose.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. 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, 2020

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 deferred outflows, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 deferred outflows and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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, 2020

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 Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition, fees and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 11 and 12.)

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2020. 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 position in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year, investments were limited to government sponsored enterprise securities, certificates of deposit, money market mutual funds, U.S. Treasury notes and commercial paper. 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.

The monies being reported in the agency fund for the SRHCC are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts".

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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 position 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 acquisition value 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	10-50 years
Buildings	25-50 years
Furniture and equipment	5-20 years
Vehicles	5-20 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 position.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

K. Pension and other postemployment benefits (OPEB)

For purposes of measuring the net pension/OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

The current accounting standard requires School District's to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability or asset. Under the new standards, the net pension/OPEB liability or asset equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

L. Compensated Absences

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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. In the event that unpaid compensated absences balances come due for payment at year end, these amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

M. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences 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.

Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

N. 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 classification includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

official. 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 or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

O. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is 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 position 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 position is available.

P. 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.

Q. Interfund Transactions

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

R. Estimates

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

NOTE 3 – 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>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 12,505	\$ -	\$ -	\$ 12,505
Prepays	2,394	-	-	2,394
Total nonspendable	<u>14,899</u>	<u>-</u>	<u>-</u>	<u>14,899</u>
<u>Restricted for</u>				
Athletics	-	-	126,641	126,641
Auxiliary services	-	-	127,054	127,054
Instructional programs	-	-	5,949	5,949
Special education	-	-	4,132	4,132
Student wellness	-	-	35,212	35,212
Capital improvements	-	1,895,462	-	1,895,462
Total restricted	<u>-</u>	<u>1,895,462</u>	<u>298,988</u>	<u>2,194,450</u>
<u>Assigned</u>				
Rotary	6,933	-	-	6,933
Public school support	61,845	-	-	61,845
Other local grants	7,764	-	-	7,764
Encumbrances	1,009,451	-	-	1,009,451
Total assigned	<u>1,085,993</u>	<u>-</u>	<u>-</u>	<u>1,085,993</u>
Unassigned	<u>35,424,681</u>	<u>-</u>	<u>(29,739)</u>	<u>35,394,942</u>
Total fund balances	<u>\$ 36,525,573</u>	<u>\$ 1,895,462</u>	<u>\$ 269,249</u>	<u>\$ 38,690,284</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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.
6. Investments are reported at fair value (GAAP basis) rather than cost (budget basis)

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

	<u>General</u>
GAAP basis	\$ 1,105,733
Revenue accruals	1,051,408
Prior year adjustment to fair market value of investments	55,298
Current year adjustments to fair market value of investments	(431,874)
Advances in	143,513
Expenditure accruals	(14,972)
Advances out	(7,946)
Budgeted as part of special revenue funds:	
Revenues	(94,411)
Expenditures	92,037
Transfer in	(1,000)
Encumbrances (Budget Basis) outstanding at year end	<u>(2,397,558)</u>
Budget basis	<u><u>\$ (499,772)</u></u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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 any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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);

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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 will not be able to recover deposits or collateral securities that are in possession of an outside party. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent. As of June 30, the carrying amount of the School District's deposits was \$15,607,340, and \$6,291,575 of the School District's total bank balance of \$15,689,061 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

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 \$722,325, of which \$143,525 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, 2020

B. Investments:

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

Investment Type	Investment Maturities				Percentage of Investments
	Fair Value	Less than 1 Year	1 - 2 Years	More Than 2 Years	
Federal Farm Credit Bank	\$ 4,922,586	\$ -	\$ 1,163,022	\$ 3,759,564	14.29%
Federal National Mortgage Assn.	1,979,473	-	-	1,979,473	5.76%
Federal Home Loan Mortgage Corp.	3,050,307	-	3,050,307	-	8.87%
U.S. Treasury Notes	1,518,511	-	1,518,511	-	4.42%
Commercial paper	4,351,742	4,351,742	-	-	12.66%
Negotiable CDs	15,755,847	6,491,721	4,318,765	4,945,361	45.83%
First American Treasury Obligation	11,731	11,731	-	-	0.03%
Subtotal investments	<u>31,590,197</u>	<u>10,855,194</u>	<u>10,050,605</u>	<u>10,684,398</u>	
Investments reported in agency fund:					
Federal Farm Credit Bank	149,745	-	149,745	-	0.44%
Federal Home Loan Mortgage Corp.	100,001	-	100,001	-	0.29%
U.S. Treasury Notes	94,788	94,788	-	-	0.28%
Commercial paper	501,055	501,055	-	-	1.46%
Negotiable CDs	1,938,058	743,884	302,820	891,354	5.64%
First American Treasury Obligation	8,747	8,747	-	-	0.03%
Total investments reported in agency fund	<u>2,792,394</u>	<u>1,348,474</u>	<u>552,566</u>	<u>891,354</u>	
Total investments	<u>\$ 34,382,591</u>	<u>\$ 12,203,668</u>	<u>\$ 10,603,171</u>	<u>\$ 11,575,752</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2020. All investments of the School District are valued using Level 2 inputs using valuation techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

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 securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). The School District's negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. 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 limits unmatched investments to maturities of no more than five years.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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 the Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) securities an AA+ rating, commercial paper an A-1 and A-1+ rating, and the First American Treasury Obligation an AAAm rating.

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 5 percent of the School District's investments are in FNMA, FHLMC, and FFCB securities. The School District places no limit on the amount that may be invested in any one issuer. The investments in negotiable CD's and commercial paper are all individually below the 5 percent. The table on the previous page is the School District's allocation as of June 30, 2020.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's 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 public utilities) located in the School District. Real property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 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.

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, 2020, are available to finance fiscal year 2020 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, 2020 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 inflows of resources – property taxes.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

The amount available as an advance at June 30, 2020, was \$2,217,772 in the general fund and \$116,659 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2019, was \$2,930,198 in the general fund and \$154,844 in the permanent improvement capital projects 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 recorded as a deferred inflow.

The assessed values upon which the fiscal year 2020 taxes were collected are:

<u>Property Category</u>	<u>2019 Assessed Value</u>	<u>2018 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 517,922,840	\$ 515,108,460
Commercial and Industrial	307,822,840	303,467,100
Public Utilities	35,530	31,560
<u>Tangible Personal Property</u>		
Public Utilities	87,241,490	90,308,850
Total	<u>\$ 913,022,700</u>	<u>\$ 908,915,970</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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 388,910
Special revenue funds:	
Miscellaneous state grants	5,936
IDEA, Part B special education	114,393
Title III	3,797
Title I	9,257
Preschool grant for the handicap	10,833
Title II-A	3,825
Total intergovernmental receivable	<u>\$ 536,951</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	<u>3,783,495</u>	<u>1,785,831</u>	<u>(5,569,326)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,993,224</u>	<u>1,785,831</u>	<u>(5,569,326)</u>	<u>1,209,729</u>
Capital assets, being depreciated:				
Land improvements	2,601,575	602,824	-	3,204,399
Buildings	41,304,985	5,062,475	-	46,367,460
Furniture and equipment	3,143,018	332,832	(468,636)	3,007,214
Vehicles	<u>2,536,286</u>	<u>144,571</u>	<u>(48,398)</u>	<u>2,632,459</u>
Total capital assets, being depreciated	<u>49,585,864</u>	<u>6,142,702</u>	<u>(517,034)</u>	<u>55,211,532</u>
Less: Accumulated depreciation				
Land improvements	(2,061,602)	(79,498)	-	(2,141,100)
Buildings	(25,982,261)	(948,552)	-	(26,930,813)
Furniture and equipment	(2,596,865)	(130,878)	468,636	(2,259,107)
Vehicles	<u>(1,468,606)</u>	<u>(232,664)</u>	<u>48,398</u>	<u>(1,652,872)</u>
Total accumulated depreciation	<u>(32,109,334)</u>	<u>(1,391,592)</u>	<u>517,034</u>	<u>(32,983,892)</u>
Total capital assets being depreciated, net	<u>17,476,530</u>	<u>4,751,110</u>	<u>-</u>	<u>22,227,640</u>
Governmental activities capital assets, net	<u>\$ 22,469,754</u>	<u>\$ 6,536,941</u>	<u>\$ (5,569,326)</u>	<u>\$ 23,437,369</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	600,868
Support services:		
Administration		23,080
Operation and maintenance of plant		477,945
Pupil transportation		216,334
Food service operations		5,364
Extracurricular activities		<u>68,001</u>
Total depreciation expense	\$	<u>1,391,592</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2020 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 20,293	\$ -
Nonmajor governmental funds	<u>-</u>	<u>20,293</u>
	<u>\$ 20,293</u>	<u>\$ 20,293</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.

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 2020, the general fund transferred a total of \$80,000 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

B. Health Insurance

The School District is a participant in the Summit Regional Health Care 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 six Summit County school districts. The employer participants pay weekly 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. The annual maximum specific stop-loss claims per covered person was unlimited for the year ending June 30, 2020. There is no aggregate stop loss maximum for 2020.

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.

The School District has ceased being self-insured. The claim payments made during the year are for health care related expenses.

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

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

School Employee Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent.

The School District's contractually required contribution to SERS was \$673,218 for fiscal year 2020. Of this amount \$60,525 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,567,235 for fiscal year 2020. Of this amount \$593,107 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.1292029%	0.1464225%	
Proportion of the net pension liability - current measurement date	<u>0.1343745%</u>	<u>0.1500192%</u>	
Change in proportionate share	<u>0.0051716%</u>	<u>0.0035966%</u>	
Proportionate share of the net pension liability	\$8,039,862	\$33,175,840	\$41,215,702
Pension expense	\$1,285,601	\$4,953,163	\$6,238,764

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 203,873	\$ 270,107	\$ 473,980
Changes of assumptions	-	3,897,143	3,897,143
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	180,870	941,724	1,122,594
School District contributions subsequent to the measurement date	<u>673,218</u>	<u>2,567,235</u>	<u>3,240,453</u>
Total deferred outflows of resources	<u>\$ 1,057,961</u>	<u>\$ 7,676,209</u>	<u>\$ 8,734,170</u>
Deferred inflows of resources			
Net difference between expected and actual experience	\$ -	\$ 143,612	\$ 143,612
Net difference between projected and actual earnings on pension plan investments	103,201	1,621,455	1,724,656
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>54,967</u>	<u>260,452</u>	<u>315,419</u>
Total deferred inflows of resources	<u>\$ 158,168</u>	<u>\$ 2,025,519</u>	<u>\$ 2,183,687</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

\$3,240,453 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal <u>Year</u>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$ 297,582	\$ 2,168,040	\$ 2,465,622
2022	(122,667)	544,744	422,077
2023	(6,867)	36,920	30,053
2024	58,527	333,751	392,278
Total	<u>\$ 226,575</u>	<u>\$ 3,083,455</u>	<u>\$ 3,310,030</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience study that was completed June 30, 2015.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

With the authority granted the Board under Senate Bill 8, the Board enacted a three year COLA delay for future recipients commencing benefits on or after April 1, 2018.

Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District's proportionate share of the net pension liability	\$ 11,266,721	\$8,039,862	\$5,333,737

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.5 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3 percent
Cost of living adjustments (COLA)	0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Asset class	Target allocation **	Long-term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00</u> %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Target weights will be phased in over a 24 month Period concluding on July 1, 2019.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 48,482,794	\$33,175,840	\$20,217,719

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

NOTE 12 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability or Asset

The net OPEB liability or asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability or asset represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability or asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability or asset. Resulting adjustments to the net OPEB liability or asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's funded/unfunded benefits is presented as a long-term net OPEB liability or asset on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$95,835.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$95,835 for fiscal year 2020. Of this amount \$95,835 is reported as an intergovernmental payable.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements were discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset was measured as of June 30, 2019, and the total OPEB liability or asset used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability or asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability or asset - prior measurement date	0.1314028%	0.1464225%	
Proportion of the net OPEB liability or asset - current measurement date	<u>0.1378124%</u>	<u>0.1500192%</u>	
Change in proportionate share	<u>0.0064096%</u>	<u>0.0035966%</u>	
Proportionate share of the net OPEB liability (asset)	\$3,465,692	(\$2,484,678)	
OPEB expense	\$108,856	(\$764,506)	(\$655,650)

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 50,874	\$ 225,254	\$ 276,128
Changes of assumptions	253,129	52,228	305,357
Net difference between projected and actual earnings on pension plan investments	8,319	-	8,319
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	192,956	125,272	318,228
School District contributions subsequent to the measurement date	<u>95,835</u>	<u>-</u>	<u>95,835</u>
Total deferred outflows of resources	<u>\$ 601,113</u>	<u>\$ 402,754</u>	<u>\$ 1,003,867</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 761,389	\$ 126,411	\$ 887,800
Changes of assumptions	194,207	2,724,158	2,918,365
Net difference between projected and actual earnings on pension plan investments	-	156,056	156,056
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>25,608</u>	<u>59,754</u>	<u>85,362</u>
Total deferred inflows of resources	<u>\$ 981,204</u>	<u>\$ 3,066,379</u>	<u>\$ 4,047,583</u>

\$95,835 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Year				
2021	\$	(188,033)	\$ (586,845)	\$ (774,878)
2022		(65,781)	(586,847)	(652,628)
2023		(63,339)	(524,302)	(587,641)
2024		(63,736)	(502,361)	(566,097)
2025		(64,682)	(473,866)	(538,548)
2026		<u>(30,355)</u>	<u>10,596</u>	<u>(19,759)</u>
Total	\$	<u>(475,926)</u>	<u>\$ (2,663,625)</u>	<u>\$ (3,139,551)</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13 percent
Prior measurement date	3.62 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.22 percent
Prior measurement date	3.70 percent
Medical trend assumption	
Pre-Medicare	7.00 to 4.75 percent
Medicare	5.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

	1% Decrease <u>(2.22%)</u>	Current discount rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
School District's proportionate share of the net OPEB liability	\$ 4,206,693	\$3,465,692	\$2,876,510

	1% Decrease (6.00% decreasing <u>to 3.75%</u>)	Current trend rate (7.00% decreasing <u>to 4.75%</u>)	1% Increase (8.00% decreasing <u>to 5.75%</u>)
School District's proportionate share of the net OPEB liability	\$ 2,776,721	\$3,465,692	\$4,379,789

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Discount rate of return	7.45 percent
Health care cost trends:	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

In 2019, non-Medicare retirees receive a subsidy of 1.944% per year of service to a maximum of 30 years, and Medicare AMA retirees receive a subsidy of 2.1% per year of service to a maximum of 30 years. In 2020, non-Medicare retirees receive a subsidy of 1.984% per year of service to a maximum of 30 years.

Beginning in 2021, the STRS Ohio subsidy dollar amount for non-Medicare plans will be frozen at the current 2020 levels. Annual increases in the STRS Ohio subsidy dollar amount for Medicare plans will be based on the annual percentage increase in the Aetna Medicare Advantage Plan, limited at 6%. For those who retire on or after August 2023, the first five years of service do not count towards the subsidy, so subsidy percentages are shifted five years, and those with less than 20 years of service receive no subsidy. STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's investment consultant indicated that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease <u>(6.45%)</u>	discount rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's proportionate share of the net OPEB asset	\$ 2,120,178	\$2,484,678	\$2,791,137
		Current	
	<u>1% Decrease</u>	<u>trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$ 2,817,510	\$2,484,678	\$2,077,038

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due within</u> <u>one year</u>
<u>Governmental Long-term Obligations</u>					
<u>Notes</u>					
2019 Permanent Improvement Levy Tax Anticipation Notes, 2.34%	\$ 5,700,000	\$ -	\$ (495,000)	\$ 5,205,000	\$ 525,000
<u>Other Long-term Obligations</u>					
Long-term compensated absences	1,887,482	416,636	(157,383)	2,146,735	276,450
Capital lease payable	69,280	-	(26,967)	42,313	27,955
Total other long-term obligations	<u>1,956,762</u>	<u>416,636</u>	<u>(184,350)</u>	<u>2,189,048</u>	<u>304,405</u>
<u>Net pension liability</u>					
STRS	32,195,027	980,813	-	33,175,840	-
SERS	<u>7,399,689</u>	<u>640,173</u>	<u>-</u>	<u>8,039,862</u>	<u>-</u>
Total net pension liability	<u>39,594,716</u>	<u>1,620,986</u>	<u>-</u>	<u>41,215,702</u>	<u>-</u>
<u>Net OPEB liability</u>					
SERS	<u>3,645,469</u>	<u>-</u>	<u>(179,777)</u>	<u>3,465,692</u>	<u>-</u>
Total governmental long-term obligations	<u>\$ 50,896,947</u>	<u>\$ 2,037,622</u>	<u>\$ (859,127)</u>	<u>\$ 52,075,442</u>	<u>\$ 829,405</u>

In a prior year, the School District issued \$5,700,000 in Permanent Improvement Levy Tax Anticipation Notes, with a maturity of December 2028 and an interest rate of 2.34% to pay the costs of remodeling, improving and rehabilitating School District buildings and improving school sites and furnishing and equipping School District buildings. These notes will be repaid from the proceeds received from a continuing 2.0 mill tax levy in the permanent improvement capital project fund.

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

There is no repayment schedule for the net pension liability and net OPEB liability; however, the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2020 are as follows:

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

<u>Fiscal</u> <u>Year Ending</u>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 525,000	\$ 115,654
2022	540,000	103,194
2023	550,000	90,441
2024	565,000	77,395
2025	575,000	64,058
2026-2029	<u>2,450,000</u>	<u>116,415</u>
Total	<u>\$ 5,205,000</u>	<u>\$ 567,157</u>

NOTE 14 – CAPITALIZED LEASES – LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into capitalized lease agreement for the acquisition of copiers. 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 \$110,916. 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 \$26,967

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.

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2021	\$ 29,020
2022	<u>14,510</u>
Total minimum lease payments	43,530
Less: amount representing interest	<u>(1,217)</u>
Total	<u>\$ 42,313</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. During fiscal year 2020, the School District contributed \$538,385 to MRSC. This contribution includes purchases of a new wireless network, software and related items as well as payment for services. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

The Four Cities Educational 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. During the fiscal year, the School District paid \$112,027 to the Compact. Financial information can be obtained by contacting the fiscal agent at 524 Broad Street, Wadsworth, Ohio 44281.

The Ohio Schools Council (Council) is a jointly governed organization among 249 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 the fiscal year, the School District paid \$1,543 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 16 – CONTINGENCIES

Litigation

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

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

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, 2020.

School Foundation Adjustments

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The ODE's final FTE adjustments did not have a material impact on the School District's financial statements.

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. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent 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.

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 set-aside, 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.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance <u>Set-aside</u>
Set-aside cash balance as of June 30, 2019	\$ -
Current year set-aside requirement	504,840
Current year offset	<u>(1,714,955)</u>
Total	<u>\$ (1,210,115)</u>

The current year offsets represent the permanent improvement levy cash-basis receipts received by the School District during fiscal year 2020.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2020

NOTE 18 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

The general fund reported encumbrances for usual operating and ongoing commitments which were not individually significant, as part of assigned fund balance. Other governmental funds reported outstanding encumbrances as of June 30, 2020 none of which are individually significant.

NOTE 19 - FUND DEFICITS

As of June 30, 2020, three funds had a deficit fund balance. 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 a deficit balance:

<u>Fund</u>	<u>Amount</u>
Nonmajor funds:	
Food service	\$ 18,324
IDEA, Part B	582
IDEA, Preschool handicapped	10,833

NOTE 20 – CORONAVIRUS 2019 (COVID-19)

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. Furthermore, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

Required Supplementary Information

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Copley-Fairlawn City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	2019	2018	2017	2016
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.134375%	0.129203%	0.128110%	0.132548%
School District's proportionate share of the net pension liability	\$ 8,039,862	\$ 7,399,689	\$ 7,654,295	\$ 9,701,276
School District's covered payroll	\$ 4,534,348	\$ 4,177,311	\$ 4,089,136	\$ 4,040,321
School District's proportionate share of the net pension liability as a percentage of its covered payroll	177.31%	177.14%	187.19%	240.11%
Plan fiduciary net position as a percentage of total pension liability	70.85%	71.36%	69.50%	62.98%
	2019	2018	2017	2016
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.1500192%	0.1464225%	0.1429018%	0.1448570%
School District's proportionate share of the net pension liability	\$ 33,175,840	\$ 32,195,027	\$ 33,946,624	\$ 48,488,018
School District's covered payroll	\$ 17,777,550	\$ 16,758,086	\$ 15,982,243	\$ 15,421,707
School District's proportionate share of the net pension liability as a percentage of its covered payroll	186.62%	192.12%	212.40%	314.41%
Plan fiduciary net position as a percentage of total pension liability	77.40%	77.30%	75.30%	66.80%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
0.133270%	0.138645%	0.138645%
\$ 7,604,527	\$ 7,016,745	\$ 8,244,773
\$ 3,922,587	\$ 3,992,208	\$ 4,167,572
193.87%	175.76%	197.83%
69.16%	71.70%	65.52%

<u>2015</u>	<u>2014</u>	<u>2013</u>
0.1454030%	0.1420621%	0.1420621%
\$ 40,185,136	\$ 34,554,424	\$ 41,161,004
\$ 15,383,514	\$ 14,599,854	\$ 15,219,369
261.22%	236.68%	270.45%
72.10%	74.70%	69.30%

Copley-Fairlawn City School District
Required Supplementary Information
Schedule of School District Contributions - Pension
Last Eight Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution	\$ 673,218	\$ 612,137	\$ 563,937	\$ 572,479
Contributions in relation to contractually required contribution	<u>(673,218)</u>	<u>(612,137)</u>	<u>(563,937)</u>	<u>(572,479)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 4,808,700	\$ 4,534,348	\$ 4,177,311	\$ 4,089,136
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	\$ 2,567,235	\$ 2,488,857	\$ 2,346,132	\$ 2,237,514
Contributions in relation to contractually required contribution	<u>(2,567,235)</u>	<u>(2,488,857)</u>	<u>(2,346,132)</u>	<u>(2,237,514)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 18,337,393	\$ 17,777,550	\$ 16,758,086	\$ 15,982,243
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

See accompanying notes to required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 565,645	\$ 516,997	\$ 553,320	\$ 576,792
<u>(565,645)</u>	<u>(516,997)</u>	<u>(553,320)</u>	<u>(576,792)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,040,321	\$ 3,922,587	\$ 3,992,208	\$ 4,167,572
14.00%	13.18%	13.86%	13.84%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,159,039	\$ 2,153,692	\$ 1,897,981	\$ 1,978,518
<u>(2,159,039)</u>	<u>(2,153,692)</u>	<u>(1,897,981)</u>	<u>(1,978,518)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,421,707	\$ 15,383,514	\$ 14,599,854	\$ 15,219,369
14.00%	14.00%	13.00%	13.00%

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Copley-Fairlawn City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Four Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net OPEB liability	0.137812%	0.131403%	0.129858%	0.134303%
School District's proportionate share of the net OPEB liability	\$ 3,465,692	\$ 3,645,469	\$ 3,485,058	\$ 3,828,135
School District's covered payroll	\$ 4,534,348	\$ 4,177,311	\$ 4,089,136	\$ 4,040,321
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.43%	87.27%	85.23%	94.75%
Plan fiduciary net position as a percentage of total OPEB liability	15.57%	13.57%	12.46%	11.49%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net OPEB liability or asset	0.1500192%	0.1464225%	0.1429018%	0.1448570%
School District's proportionate share of the net OPEB liability (asset)	\$ (2,484,678)	\$ (2,352,861)	\$ 5,575,500	\$ 7,746,992
School District's covered payroll	\$ 17,777,550	\$ 16,758,086	\$ 15,982,243	\$ 15,421,707
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(13.98%)	(14.04%)	34.89%	50.23%
Plan fiduciary net position as a percentage of total OPEB liability	174.70%	176.00%	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2016 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information.

Copley-Fairlawn City School District
Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Eight Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution (2)	\$ 95,835	\$ 107,280	\$ 93,326	\$ 70,111
Contributions in relation to contractually required contribution	<u>(95,835)</u>	<u>(107,280)</u>	<u>(93,326)</u>	<u>(70,111)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 4,808,700	\$ 4,534,348	\$ 4,177,311	\$ 4,089,136
Contributions as a percentage of covered payroll	1.99%	2.37%	2.23%	1.71%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 18,337,393	\$ 17,777,550	\$ 16,758,086	\$ 15,982,243
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

(2) Includes surcharge

See accompanying notes to required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 67,874	\$ 102,284	\$ 75,888	\$ 79,199
<u>(67,874)</u>	<u>(102,284)</u>	<u>(75,888)</u>	<u>(79,199)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,040,321	\$ 3,922,587	\$ 3,992,208	\$ 4,167,572
1.68%	2.61%	1.90%	1.90%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ 145,999	\$ 152,194
<u>-</u>	<u>-</u>	<u>(145,999)</u>	<u>(152,194)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,421,707	\$ 15,383,514	\$ 14,599,854	\$ 15,219,369
0.00%	0.00%	1.00%	1.00%

Copley-Fairlawn City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2020. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2020. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was no change in benefit terms for fiscal year 2020. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2020. See the notes to the basic financial statements for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
COVID-19 School Breakfast Program	10.553	49981-3L70-2020	\$ 390	\$ -	\$ 390	\$ -
School Breakfast Program	10.553	49981-3L70-2020	5,520	-	5,520	-
COVID-19 National School Lunch Program	10.555	49981-3L60-2020	21,955	-	21,955	-
National School Lunch Program	10.555	49981-3L60-2020	147,176	52,413	147,176	52,413
Total Child Nutrition Cluster			<u>175,041</u>	<u>52,413</u>	<u>175,041</u>	<u>52,413</u>
Total U.S. Department of Agriculture			<u>175,041</u>	<u>52,413</u>	<u>175,041</u>	<u>52,413</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	49981-3M20-2019	112,261	-	89,809	-
Special Education Grants to States	84.027A	49981-3M20-2019	10,244	-	10,244	-
Special Education Grants to States	84.027	49981-3M20-2020	541,944	-	561,626	-
Special Education Grants to States	84.027A	49981-3M20-2020	18,184	-	7,940	-
Special Education Preschool Grants	84.173A	49981-3C50-2019	2,043	-	2,043	-
Total Special Education Cluster			<u>684,676</u>	<u>-</u>	<u>671,662</u>	<u>-</u>
Title I:						
Title I Grants to Local Educational Agencies	84.010	49981-3M00-2019	13,819	-	7,439	-
Title I Grants to Local Educational Agencies	84.010	49981-3M00-2020	301,513	-	301,660	-
Total Title I Grants to Local Educational Agencies			<u>315,332</u>	<u>-</u>	<u>309,099</u>	<u>-</u>
Title II-A						
Improving Teacher Quality State Grants, Title II-A	84.367	49981-3Y60-2020	61,126	-	61,126	-
Total Improving Teacher Quality State Grants, Title II-A			<u>61,126</u>	<u>-</u>	<u>61,126</u>	<u>-</u>
Title III						
English Language Acquisition State Grants, Title III	84.365	49981-3Y70-2019	1,459	-	-	-
English Language Acquisition State Grants, Title III	84.365	49981-3Y70-2020	-	-	3,797	-
Total English Language Acquisition State Grants, Title III			<u>1,459</u>	<u>-</u>	<u>3,797</u>	<u>-</u>
Title IV-A						
Student Support and Academic Enrichment Program, Title IV-A	84.424	49981-3H10-2019	4,618	-	-	-
Student Support and Academic Enrichment Program, Title IV-A	84.424	49981-3H10-2020	16,838	-	16,838	-
Total Student Support and Academic Enrichment Program, Title IV-A			<u>21,456</u>	<u>-</u>	<u>16,838</u>	<u>-</u>
Total U.S. Department of Education			<u>1,084,049</u>	<u>-</u>	<u>1,062,522</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$1,259,090</u>	<u>\$ 52,413</u>	<u>\$ 1,237,563</u>	<u>\$ 52,413</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Copley-Fairlawn City School District (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 32,157
Special Education - Grants to States	84.027	\$ 6,315
Improving Teacher Quality State Grants, Title II-A	84.367	\$ 10,043
Student Support and Academic Enrichment Title IV-A	84.424	\$ 3,517

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321-1695

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Summit County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures that may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321-1695

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Copley-Fairlawn City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Copley-Fairlawn City School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Copley-Fairlawn City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States Cluster - CFDA #84.027, #84.027A, #84.173 and #84.173A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/25/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov