



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual General Fund.....	20
Statement of Net Position – Internal Service Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Fund.....	22
Statement of Cash Flows – Internal Service Fund.....	23
Statement of Fiduciary Net Position Private Purpose Trust Fund	24
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund	25
Notes to the Basic Financial Statements	26
Schedule of Federal Awards Receipts and Expenditures.....	53
Notes to the Schedule of Federal Awards Receipts and Expenditures	54
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	57
Schedule of Findings.....	59

This page intentionally left blank.



Dave Yost • Auditor of State

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 Copley-Fairlawn City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2014, 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 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 Copley-Fairlawn City School District, Summit County, Ohio, as of June 30, 2014 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.

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*, 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 Federal Awards Receipts and Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule 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 March 12, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2015

THIS PAGE INTENTIONALLY LEFT BLANK.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

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, 2014. 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 2014 are as follows:

- General revenues accounted for \$38,458,928 or 91.8% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,442,110 or 8.2% of total revenues of \$41,901,038.
- Governmental expenses totaled \$34,384,968; program revenues offset only \$3,442,110 of these expenses. General revenues of \$38,458,928 were adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$21,346,108, or 62.1% of all governmental expenses.

Using this Annual Financial Report

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

The statement of net 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 2014?" The statement of net position and statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

These two statements report the School District's net position and changes in those assets. 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 fund 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 fund. The School District's only major governmental funds are the general fund and 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.

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 50,996,032	\$ 49,987,700
Capital assets, net of depreciation	<u>20,662,866</u>	<u>19,530,673</u>
Total assets	<u>71,658,898</u>	<u>69,518,373</u>
Liabilities		
Current and other liabilities	3,981,323	5,263,865
Long-term liabilities:		
Due within one year	1,542,985	1,543,381
Due in more than one year	<u>3,899,136</u>	<u>5,238,405</u>
Total liabilities	<u>9,423,444</u>	<u>12,045,651</u>
Deferred inflows of resources		
Property taxes	<u>26,516,361</u>	<u>29,269,699</u>
Net Position		
Net investment in capital assets	16,935,567	16,524,748
Restricted	2,818,914	2,309,078
Unrestricted	<u>15,964,612</u>	<u>9,369,197</u>
Total net position	<u>\$ 35,719,093</u>	<u>\$ 28,203,023</u>

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2014, the School District had an increase in net position of \$7,516,070.

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.

A portion of the School District's net position, \$2,818,914, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$405,220 is restricted for debt service payments, \$2,075,661 is restricted for capital projects and \$338,033 is restricted for other purposes. The remaining balance of net position of \$15,964,612 is unrestricted.

Table 2 shows change in net position for fiscal year 2014 compared to fiscal year 2013.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Table 2
Change in Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,379,590	\$ 1,809,937
Operating grants, contributions and interest	2,058,020	2,051,616
Capital grants and contributions	4,500	121,686
General revenues:		
Property taxes	31,430,895	26,457,003
Grants and entitlements	6,796,133	6,389,289
Investment earnings	54,406	28,066
Increase (decrease) in fair value of investments	35,513	(32,779)
Miscellaneous	141,981	163,228
Total revenues	<u>41,901,038</u>	<u>36,988,046</u>
Program Expenses		
Instruction:		
Regular	16,780,442	17,102,275
Special	4,020,434	4,401,833
Vocational	545,232	586,475
Support services:		
Pupils	1,651,732	1,802,639
Instructional staff	285,989	665,876
Board of education	136,124	133,319
Administration	2,045,708	1,935,822
Fiscal	1,141,318	1,934,988
Business	133,889	142,475
Operation and maintenance of plant	3,024,477	3,517,394
Pupil transportation	1,755,334	1,690,850
Central	368,097	214,980
Operation of non-instructional services:		
Food service operations	690,717	780,109
Community services	601,974	632,928
Extracurricular activities	1,118,506	1,143,736
Interest and fiscal charges	84,995	70,268
Total expenses	<u>34,384,968</u>	<u>36,755,967</u>
Increase in net position	<u>\$ 7,516,070</u>	<u>\$ 232,079</u>

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 \$31.4 million in 2014. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.7 million. With the combination of taxes and intergovernmental funding 91.2% of all revenues, School District management monitors both of these revenue sources very closely for fluctuations.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

A review of Table 2 shows that the total cost of instructional services was \$21,346,108, or 62.1% 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 \$1,937,721, or 5.6%, 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 \$3,457,039, or 10.1%, 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 \$3,024,477, or 8.8%, of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2014 as compared to fiscal year 2013.

Table 3
Governmental Activities

Program Expenses	Total Cost of Services		Net Cost of Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction:				
Regular	\$ 16,780,442	\$ 17,102,275	\$(16,104,341)	\$(16,116,611)
Special	4,020,434	4,401,833	(2,979,617)	(3,305,405)
Vocational	545,232	586,475	(526,077)	(569,408)
Support services:				
Pupils	1,651,732	1,802,639	(1,625,367)	(1,774,967)
Instructional staff	285,989	665,876	(285,989)	(665,876)
Board of education	136,124	133,319	(136,124)	(133,319)
Administration	2,045,708	1,935,822	(2,045,708)	(1,935,822)
Fiscal	1,141,318	1,934,988	(1,141,318)	(1,934,988)
Business	133,889	142,475	(133,889)	(142,475)
Operation and maintenance of plant	3,024,477	3,517,394	(2,988,306)	(3,474,888)
Pupil transportation	1,755,334	1,690,850	(1,755,334)	(1,690,850)
Central	368,097	214,980	(359,097)	(205,980)
Operation on non-instructional services:				
Food service operations	690,717	780,109	(70,591)	(41,513)
Community services	601,974	632,928	8,113	(47,994)
Extracurricular activities	1,118,506	1,143,736	(714,218)	(662,364)
Interest and fiscal charges	84,995	70,268	(84,995)	(70,268)
Total	<u>\$ 34,384,968</u>	<u>\$ 36,755,967</u>	<u>\$(30,942,858)</u>	<u>\$(32,772,728)</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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 \$41,949,098, and total expenditures were \$36,850,996. Table 4 shows fiscal year 2014 fund balances compared to fiscal year 2013.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 16,361,014	\$ 9,706,398	\$ 6,654,616	68.56%
Permanent improvement	2,041,199	3,716,144	(1,674,945)	-45.07%
Other governmental	<u>689,588</u>	<u>571,157</u>	<u>118,431</u>	20.74%
Total	<u>\$ 19,091,801</u>	<u>\$ 13,993,699</u>	<u>\$ 5,098,102</u>	

General Fund

The general fund is reporting a fund balance of \$16,361,014, an increase of \$6,654,616 from 2013. The increase in fund balance can be attributed to an increase in property tax revenues and a decrease in total expenditures over the prior year. The increase in property taxes is due to the amount available as advance at the end of the fiscal year being significantly higher than the previous fiscal year.

Table 5 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, 2014

Unaudited

Table 5
General Fund Changes in Revenues and Expenditures

	2014 Amount	2013 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 29,232,357	\$ 24,768,131	\$ 4,464,226	18.02%
Intergovernmental	6,639,639	6,262,078	377,561	6.03%
Interest	54,406	28,066	26,340	93.85%
Tuition and fees	584,600	615,462	(30,862)	-5.01%
Increase (decrease) in fair value of investments	35,513	(32,779)	68,292	-208.34%
Gifts and donations	2,841	3,553	(712)	-20.04%
Customer services	26,214	23,933	2,281	9.53%
Rent	36,171	42,506	(6,335)	-14.90%
Miscellaneous	223,892	218,987	4,905	2.24%
Total revenues	<u>36,835,633</u>	<u>31,929,937</u>	<u>4,905,696</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,497,458	15,993,026	(495,568)	-3.10%
Special	3,178,410	3,412,130	(233,720)	-6.85%
Vocational	542,381	587,981	(45,600)	-7.76%
Support services:				
Pupils	1,653,855	1,802,470	(148,615)	-8.25%
Instructional staff	338,944	656,330	(317,386)	-48.36%
Board of education	136,124	133,319	2,805	2.10%
Administration	2,023,238	1,878,333	144,905	7.71%
Fiscal	1,088,019	1,825,869	(737,850)	-40.41%
Business	143,652	137,587	6,065	4.41%
Operation and maintenance of plant	2,770,016	2,945,176	(175,160)	-5.95%
Pupil transportation	1,628,631	1,563,408	65,223	4.17%
Central	354,903	205,870	149,033	72.39%
Operation of non-instructional services:				
Community service	67,113	77,775	(10,662)	-13.71%
Extracurricular activities	657,733	650,614	7,119	1.09%
Capital outlay	6,140	10,958	(4,818)	-43.97%
Debt service:				
Principal retirement	35,383	32,211	3,172	9.85%
Interest and fiscal charges	3,017	6,189	(3,172)	-51.25%
Total expenditures	<u>\$ 30,125,017</u>	<u>\$ 31,919,246</u>	<u>\$ (1,794,229)</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

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 2014, 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 \$33,251,387. This amount was changed during the year, resulting in final revenue and other financing sources of \$33,561,958. Actual revenue and other financing sources reported was \$34,262,203, the change was an increase of \$700,245 from the final budget and was \$1,010,816 greater than the original budgeted amount. These changes were due primarily from taxes that were not known during the original budget process.

The original expenditures and other financing uses estimate for the fiscal year were \$33,159,109. The final expenditures and other financing uses estimate of \$33,159,109 was equal to what was originally anticipated. The actual expenditures and other financing uses however were \$32,062,602, \$1,096,507 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 2014, the School District had \$20,662,866 invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 6 shows fiscal year 2014 balances compared to fiscal year 2013.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land and construction in progress	\$ 1,664,910	\$ 2,171,331
Land improvements	1,044,632	1,083,218
Buildings	16,828,413	15,369,639
Furniture and equipment	481,707	404,269
Vehicles	643,204	502,216
Total capital assets	<u>\$ 20,662,866</u>	<u>\$ 19,530,673</u>

The total increase in capital assets is due to current year acquisitions exceeding depreciation expense of the current year. The increase in additions is due the completion of several construction projects throughout the School District. 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, 2014
Unaudited

Debt

At June 30, 2014 the School District had \$3,727,299 in bonds, notes and capital leases outstanding, including \$5,316 of an unamortized premium from the issuance of the School Facilities Refunding Bonds. Of this outstanding debt, \$1,296,860 is due within one year. Table 7 summarizes the debt outstanding:

Table 7
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
2003 School Facilities Refunding Bonds	\$ 895,000	\$ 1,485,000
Unamortized premium	5,316	21,126
2003 Energy Conservation Notes	399,430	490,261
2013 Tax Anticipation Notes	2,415,000	3,000,000
Capital leases	<u>12,553</u>	<u>47,936</u>
Total outstanding	<u>\$ 3,727,299</u>	<u>\$ 5,044,323</u>

At June 30, 2014, the School District's overall legal debt limit was \$68,268,283, with an unvoted debt limit of \$791,006. 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, 2014

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 19,212,283
Inventory held for resale	14,493
Materials and supplies inventory	12,495
<u>Receivables:</u>	
Accounts	35,216
Intergovernmental	667,751
Accrued interest	10,988
Taxes	31,038,579
Prepaid items	4,227
<u>Capital assets:</u>	
Land and construction in progress	1,664,910
Depreciable capital assets, net	18,997,956
Total capital assets	<u>20,662,866</u>
Total assets	<u>71,658,898</u>
 <u>Liabilities:</u>	
Accounts payable	204,700
Contracts payable	455,181
Accrued wages	2,303,811
Intergovernmental payable	1,012,233
Accrued interest payable	5,398
<u>Long-term liabilities:</u>	
Due within one year	1,542,985
Due in more than one year	3,899,136
Total liabilities	<u>9,423,444</u>
 <u>Deferred inflows of resources:</u>	
Property taxes	<u>26,516,361</u>
 <u>Net Position:</u>	
Net investment in capital assets	16,935,567
<u>Restricted for:</u>	
Capital projects	2,075,661
Debt service	405,220
Other purposes	338,033
Unrestricted	<u>15,964,612</u>
Total net position	<u>\$ 35,719,093</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 16,780,442	\$ 453,333	\$ 222,768	\$ -	\$ (16,104,341)
Special	4,020,434	95,908	944,909	-	(2,979,617)
Vocational	545,232	19,155	-	-	(526,077)
Support services:					
Pupils	1,651,732	26,365	-	-	(1,625,367)
Instructional staff	285,989	-	-	-	(285,989)
Board of education	136,124	-	-	-	(136,124)
Administration	2,045,708	-	-	-	(2,045,708)
Fiscal	1,141,318	-	-	-	(1,141,318)
Business	133,889	-	-	-	(133,889)
Operation and maintenance of plant	3,024,477	36,171	-	-	(2,988,306)
Pupil transportation	1,755,334	-	-	-	(1,755,334)
Central	368,097	-	9,000	-	(359,097)
Operation of non-instructional services:					
Food service operations	690,717	383,284	236,842	-	(70,591)
Community services	601,974	7,059	603,028	-	8,113
Extracurricular activities	1,118,506	358,315	41,473	4,500	(714,218)
Interest and fiscal charges	84,995	-	-	-	(84,995)
Total governmental activities	\$ 34,384,968	\$ 1,379,590	\$ 2,058,020	\$ 4,500	(30,942,858)

General Revenues:

Property taxes levied for:

General purposes	29,149,751
Debt service	747,086
Capital outlay	1,534,058
Grants and entitlements not restricted to specific programs	6,796,133
Investment earnings	54,406
Increase in fair value of investments	35,513
Miscellaneous	141,981

Total general revenues 38,458,928

Change in net position 7,516,070

Net position beginning of year 28,203,023

Net position end of year \$ 35,719,093

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 15,680,336	\$ 2,550,227	\$ 722,074	\$ 18,952,637
Inventory held for resale	-	-	14,493	14,493
Materials and supplies inventory	12,495	-	-	12,495
<u>Receivables:</u>				
Accounts	34,848	-	368	35,216
Intergovernmental	511,852	-	155,899	667,751
Accrued interest	10,988	-	-	10,988
Interfund	222,404	-	-	222,404
Taxes	28,849,655	1,475,779	713,145	31,038,579
Prepaid items	4,227	-	-	4,227
Total assets	<u>\$ 45,326,805</u>	<u>\$ 4,026,006</u>	<u>\$ 1,605,979</u>	<u>\$ 50,958,790</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 143,039	\$ 20,424	\$ 41,237	\$ 204,700
Contracts payable	-	455,181	-	455,181
Accrued wages	2,173,125	-	130,686	2,303,811
Interfund payable	-	222,404	-	222,404
Intergovernmental payable	957,137	-	55,096	1,012,233
Total liabilities	<u>3,273,301</u>	<u>698,009</u>	<u>227,019</u>	<u>4,198,329</u>
<u>Deferred inflows of resources:</u>				
Property taxes	24,646,006	1,249,921	620,434	26,516,361
Unavailable revenue - delinquent property taxes	715,540	36,877	15,130	767,547
Unavailable revenue - other	330,944	-	53,808	384,752
Total deferred inflows of resources	<u>25,692,490</u>	<u>1,286,798</u>	<u>689,372</u>	<u>27,668,660</u>
<u>Fund balances:</u>				
Nonspendable	16,722	-	-	16,722
Restricted	-	2,041,199	712,549	2,753,748
Assigned	652,981	-	-	652,981
Unassigned	15,691,311	-	(22,961)	15,668,350
Total fund balances	<u>16,361,014</u>	<u>2,041,199</u>	<u>689,588</u>	<u>19,091,801</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,326,805</u>	<u>\$ 4,026,006</u>	<u>\$ 1,605,979</u>	<u>\$ 50,958,790</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, 2014

Total governmental fund balances		\$ 19,091,801
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.		20,662,866
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 767,547	
Intergovernmental	89,072	
Tuition and fees	295,680	
	<u>1,152,299</u>	1,152,299
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.		259,646
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (900,316)	
Energy conservation notes	(399,430)	
Tax anticipation notes	(2,415,000)	
Compensated absences	(1,714,822)	
Capital leases	(12,553)	
Accrued interest payable	(5,398)	
Total	<u>(5,447,519)</u>	(5,447,519)
Net position of governmental activities		<u><u>\$ 35,719,093</u></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, 2014

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 29,232,357	\$ 1,537,985	\$ 749,312	\$ 31,519,654
Intergovernmental	6,639,639	195,838	1,900,489	8,735,966
Interest	54,406	-	656	55,062
Increase in fair value of investments	35,513	-	-	35,513
Tuition and fees	584,600	-	-	584,600
Extracurricular activities	-	-	186,663	186,663
Gifts and donations	2,841	4,500	41,473	48,814
Customer services	26,214	-	383,284	409,498
Rent	36,171	-	-	36,171
Miscellaneous	223,892	-	113,265	337,157
Total revenues	36,835,633	1,738,323	3,375,142	41,949,098
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,497,458	500,833	157,556	16,155,847
Special	3,178,410	-	786,876	3,965,286
Vocational	542,381	-	-	542,381
Support services:				
Pupils	1,653,855	-	-	1,653,855
Instructional staff	338,944	-	-	338,944
Board of education	136,124	-	-	136,124
Administration	2,023,238	-	-	2,023,238
Fiscal	1,088,019	34,889	14,473	1,137,381
Business	143,652	-	-	143,652
Operation and maintenance of plant	2,770,016	23,888	-	2,793,904
Pupil transportation	1,628,631	-	-	1,628,631
Central	354,903	-	9,000	363,903
Operation of non-instructional services:				
Food service operations	-	-	680,612	680,612
Community services	67,113	-	535,517	602,630
Extracurricular activities	657,733	-	360,334	1,018,067
Capital outlay	6,140	2,232,958	23,069	2,262,167
Debt service:				
Principal retirement	35,383	585,000	680,831	1,301,214
Interest and fiscal charges	3,017	35,700	64,443	103,160
Total expenditures	30,125,017	3,413,268	3,312,711	36,850,996
Excess of revenues over (under) expenditures	6,710,616	(1,674,945)	62,431	5,098,102
<u>Other financing sources (uses):</u>				
Transfers in	-	-	56,000	56,000
Transfers out	(56,000)	-	-	(56,000)
Total other financing sources (uses)	(56,000)	-	56,000	-
Net change in fund balances	6,654,616	(1,674,945)	118,431	5,098,102
Fund balances at beginning of year	9,706,398	3,716,144	571,157	13,993,699
Fund balances at end of year	\$ 16,361,014	\$ 2,041,199	\$ 689,588	\$ 19,091,801

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, 2014**

Net change in fund balances - total governmental funds \$ 5,098,102

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	\$ 2,262,167	
Depreciation expense	(1,126,022)	
Excess of depreciation expense over capital asset additions	<u>1,136,145</u>	1,136,145

The proceeds from the sale of capital assets are reported as a source of financing in the governmental
funds. However, the cost of the capital assets sold is removed from the capital assets account
in the statement of net position and offset against the sales proceeds resulting in a loss on the
disposal of capital assets in the statement of activities. Thus, more revenue is reported in the
governmental funds and more expenses in the statement of activities.

(3,952)

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	\$ (88,759)	
Intergovernmental	76,058	
Tuition and fees	(35,359)	
Net change in deferred inflows of resources during the year	<u>(48,060)</u>	(48,060)

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

1,265,831

Repayment of capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position.

35,383

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

Decrease in compensated absences	\$ 22,641	
Decrease in accrued interest payable	2,355	
Amortization of premium	15,810	
Total additional expenditures	<u>40,806</u>	40,806

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.

(8,185)

Change in net position of governmental activities

\$ 7,516,070

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 25,954,249	\$ 26,134,660	\$ 26,755,920	\$ 621,260
Intergovernmental	6,407,838	6,467,715	6,499,764	32,049
Interest	39,782	40,154	50,090	9,936
Tuition and fees	579,262	584,675	584,725	50
Rent	35,918	36,254	36,254	-
Gifts and donations	2,815	2,841	2,841	-
Customer services	6,003	6,059	7,059	1,000
Miscellaneous	112,950	115,489	151,439	35,950
Total revenues	33,138,817	33,387,847	34,088,092	700,245
Expenditures:				
Current:				
Instruction:				
Regular	17,465,329	17,011,893	15,916,662	1,095,231
Special	3,609,198	3,583,232	3,583,232	-
Vocational	591,913	542,369	542,369	-
Support services:				
Pupils	1,881,849	1,735,731	1,735,731	-
Instructional staff	547,662	485,149	485,149	-
Board of education	239,229	154,254	154,254	-
Administration	2,076,248	2,061,770	2,061,770	-
Fiscal	368,574	1,452,481	1,452,481	-
Business	144,079	146,582	146,582	-
Operation and maintenance of plant	3,389,433	3,087,270	3,086,692	578
Pupil transportation	1,778,874	1,757,736	1,757,489	247
Central	327,554	366,556	366,556	-
Operation of non-instructional services:				
Community services	71,892	67,565	67,565	-
Extracurricular activities	667,275	648,321	647,870	451
Total expenditures	33,159,109	33,100,909	32,004,402	1,096,507
Excess of revenues over (under) expenditures	(20,292)	286,938	2,083,690	1,796,752
Other financing sources (uses):				
Proceeds from sale of capital assets	6,871	6,871	6,871	-
Refund of prior year expenditures	87,753	149,294	149,294	-
Refund of prior year receipts	-	(2,200)	(2,200)	-
Advances in	17,946	17,946	17,946	-
Transfers out	-	(56,000)	(56,000)	-
Total other financing sources (uses)	112,570	115,911	115,911	-
Net change in fund balance	92,278	402,849	2,199,601	1,796,752
Fund balance at beginning of year	11,328,908	11,328,908	11,328,908	-
Prior year encumbrances appropriated	1,070,109	1,070,109	1,070,109	-
Fund balance at end of year	\$ 12,491,295	\$ 12,801,866	\$ 14,598,618	\$ 1,796,752

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 259,646
Total assets	<u>\$ 259,646</u>
<u>Net position:</u>	
Unrestricted	259,646
Total liabilities and net position	<u>\$ 259,646</u>

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, 2014

	Self Insurance
<u>Operating revenues</u>	
Total operating revenues	<u>\$ -</u>
<u>Operating expenses:</u>	
Purchased services	375
Claims	7,470
Other	340
Total operating expenses	<u>8,185</u>
Change in net position	(8,185)
Net position beginning of year	<u>267,831</u>
Net position end of year	<u><u>\$ 259,646</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash payments to suppliers for goods and services	\$ (715)
Cash payments for claims	(7,470)
Net cash used for operating activities	<u>(8,185)</u>
 Net decrease in cash and cash equivalents	 (8,185)
 Cash and cash equivalents at beginning of year	 <u>267,831</u>
Cash and cash equivalents at end of year	<u>\$ 259,646</u>
 Reconciliation of operating loss to net cash <u>used for operating activities:</u>	
Operating loss	<u>\$ (8,185)</u>
 Change in assets and liabilities:	 -
Net cash used for operating activities	<u>\$ (8,185)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 6,131	\$ 97,205
Cash and cash equivalents in segregated accounts	-	5,770,652
<u>Receivables:</u>		
Accounts	-	4,900
Accrued interest	-	2,194
Total assets	<u>\$ 6,131</u>	<u>\$ 5,874,951</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 3,094,653
Undistributed monies	-	2,683,174
Due to students	-	97,124
Total liabilities	<u>-</u>	<u>\$ 5,874,951</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, 2014

	<u>Scholarships</u>
<u>Additions:</u>	
Total additions	<u>\$ -</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>500</u>
Change in net position	(500)
Net position beginning of year	<u>6,631</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, 2014

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 155 non-certificated and 223 certificated full time teaching personnel, including sixteen administrators, who provide services to 3,179 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 Vocational Compact, and the Ohio Schools Council, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

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

Summit Regional Health Care Consortium (SRHCC) - a separate body corporate and politic comprised of five member districts of Summit County for the purpose of obtaining benefits at a reduced premium for health, dental and vision care. The program for health care is administered by Anthem Blue Cross and Blue Shield. Payments are made to the SRHCC for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The Copley Fairlawn City School District is the fiscal agent of the SRHCC and pays Anthem 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, 2014

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

B. Fund Accounting

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

Governmental Funds:

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

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, 2014

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, 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 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 all liabilities 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, 2014

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. The School District did not have any outflows of resources at year end.

In addition to liabilities, the statements of net position reports 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 and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 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 and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenditures/Expenses

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2014

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 2014. 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 overnight repurchase agreements, Federal Securities, commercial paper and a US T-Note. 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".

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

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

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

J. Interfund Balances

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

K. Compensated Absences

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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.

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.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance

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

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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 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.

N. 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.

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

Q. Estimates

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

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 Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 12,495	\$ -	\$ -	\$ 12,495
Prepays	<u>4,227</u>	<u>-</u>	<u>-</u>	<u>4,227</u>
Total nonspendable	<u>16,722</u>	<u>-</u>	<u>-</u>	<u>16,722</u>
<u>Restricted for</u>				
Athletics	-	-	118,272	118,272
Auxiliary services	-	-	179,249	179,249
Instructional programs	-	-	3,023	3,023
Special education	-	-	18,932	18,932
Capital improvements	-	2,041,199	-	2,041,199
Debt service payments	<u>-</u>	<u>-</u>	<u>393,073</u>	<u>393,073</u>
Total restricted	<u>-</u>	<u>2,041,199</u>	<u>712,549</u>	<u>2,753,748</u>
<u>Assigned</u>				
Rotary	2,581	-	-	2,581
Public school support	80,374	-	-	80,374
Other local grants	3,996	-	-	3,996
Encumbrances	<u>566,030</u>	<u>-</u>	<u>-</u>	<u>566,030</u>
Total assigned	<u>652,981</u>	<u>-</u>	<u>-</u>	<u>652,981</u>
Unassigned (deficit)	<u>15,691,311</u>	<u>-</u>	<u>(22,961)</u>	<u>15,668,350</u>
Total fund balances	<u>\$ 16,361,014</u>	<u>\$ 2,041,199</u>	<u>\$ 689,588</u>	<u>\$ 19,091,801</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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.

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 6,654,616
Revenue accruals	(2,521,060)
Prior year adjustment to fair market value of investments	26,240
Current year adjustments to fair market value of investments	(9,273)
Advances in	17,946
Expenditure accruals	(982,006)
Budgeted as part of special revenue funds:	
Revenues	(87,283)
Expenditures	85,763
Encumbrances (Budget Basis)	
outstanding at year end	(985,342)
Budget basis	<u>\$ 2,199,601</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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, 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 pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits:

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

As of June 30, the carrying amount of the School District's deposits was \$2,255,165. The School District's bank balance of \$2,763,054 was not exposed to custodial credit risk.

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 \$89,919, of which \$18,879 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, 2014

B. Investments:

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

<u>Investment Type</u>		<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank note	\$ 1,666,736	\$ 320,563	\$ 1,346,173
Federal Farm Credit Bank note	525,262	525,262	-
Federal National Mortgage Assn. note	5,382,843	-	5,382,843
Federal Home Loan Mortgage Corp. note	3,393,891	494,965	2,898,926
Repurchase agreement	5,055,000	5,055,000	-
Commercial paper	1,119,643	1,119,643	-
Investments reported in agency fund:			
Federal Home Loan Bank note	793,384	-	793,384
Federal Farm Credit Bank note	270,359	-	270,359
Federal National Mortgage Assn. note	250,273	-	250,273
Federal Home Loan Mortgage Corp. note	993,608	-	993,608
Repurchase agreement	3,255,000	3,255,000	-
US Treasury Note	125,107	-	125,107
Total investments reported in agency fund	<u>5,687,731</u>	<u>3,255,000</u>	<u>2,432,731</u>
Total investments	<u>\$ 22,831,106</u>	<u>\$ 10,770,433</u>	<u>\$ 12,060,673</u>

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$8,310,000 investment in repurchase agreements is to be secured by the specific securities upon which the repurchase agreements are based. The securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Association (FNMA) bonds, and Federal Home Loan Mortgage Corporation (FHLMC) bonds. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law. Standard and Poor's has assigned the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), FHLMC, and FNMA bonds and notes an AA+ rating. The commercial paper has an A-1+ and an A-1 rating. The custodial risk associated with the repurchase agreements is discussed above.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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 FHLB, FNMA and FHLMC including the underlying investments of the repurchase agreements. The investments in FHLB is 11 percent, FNMA is 39 percent and FHLMC is 41 percent of the total investments. The School District places no limit on the amount that may be invested in any one issuer.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utilities) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 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, 2014, are available to finance fiscal year 2014 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, 2014 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.

The amount available as an advance at June 30, 2014, was \$3,488,109 in the general fund, \$77,581 in the bond retirement debt service fund, and \$188,981 in the permanent improvement capital project fund. The amount available as an advance at June 30, 2013, was \$1,011,672 in the general fund, \$23,227 in the bond retirement debt service fund, and \$54,541 in the permanent improvement capital project fund.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

<u>Property Category</u>	<u>2013 Assessed Value</u>	<u>2012 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 476,151,940	\$ 475,449,590
Commercial and Industrial	281,853,700	266,793,420
Public Utilities	13,210	12,420
<u>Tangible Personal Property</u>		
Public Utilities	32,986,990	27,392,710
Total	<u>\$ 791,005,840</u>	<u>\$ 769,648,140</u>

NOTE 7 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General Fund	\$ 511,852
Special revenue funds:	
Food service	3,284
Athletic	69
Auxiliary services	1,081
IDEA, Part B special education	94,411
Title II-A	1,963
Title I	55,091
Total intergovernmental receivable	<u>\$ 667,751</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental activities</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	<u>961,602</u>	<u>1,619,322</u>	<u>(2,125,743)</u>	<u>455,181</u>
Total capital assets, not being depreciated	<u>2,171,331</u>	<u>1,619,322</u>	<u>(2,125,743)</u>	<u>1,664,910</u>
Capital assets, being depreciated:				
Land improvements	3,160,710	94,299	(8,857)	3,246,152
Buildings	36,011,522	2,241,101	-	38,252,623
Furniture and equipment	2,555,240	170,781	(7,905)	2,718,116
Vehicles	<u>1,942,750</u>	<u>262,407</u>	<u>(168,061)</u>	<u>2,037,096</u>
Total capital assets, being depreciated	<u>43,670,222</u>	<u>2,768,588</u>	<u>(184,823)</u>	<u>46,253,987</u>
Less: Accumulated depreciation				
Land improvements	(2,077,492)	(132,885)	8,857	(2,201,520)
Buildings	(20,641,883)	(782,327)	-	(21,424,210)
Furniture and equipment	(2,150,971)	(89,391)	3,953	(2,236,409)
Vehicles	<u>(1,440,534)</u>	<u>(121,419)</u>	<u>168,061</u>	<u>(1,393,892)</u>
Total accumulated depreciation	<u>(26,310,880)</u>	<u>(1,126,022)</u>	<u>180,871</u>	<u>(27,256,031)</u>
Total capital assets being depreciated, net	<u>17,359,342</u>	<u>1,642,566</u>	<u>(3,952)</u>	<u>18,997,956</u>
Governmental activities capital assets, net	<u>\$ 19,530,673</u>	<u>\$ 3,261,888</u>	<u>\$ (2,129,695)</u>	<u>\$ 20,662,866</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 622,878
Vocational	4,086
Support services:	
Administration	24,357
Operation and maintenance of plant	236,715
Pupil transportation	129,952
Food service operations	7,673
Extracurricular activities	<u>100,361</u>
Total depreciation expense	<u>\$ 1,126,022</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2014 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 222,404	\$ -
Permanent improvement fund	<u>-</u>	<u>222,404</u>
	<u>\$ 222,404</u>	<u>\$ 222,404</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, or (3) payments between funds were made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015.

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 2014, the general fund transferred a total of \$56,000 to other nonmajor governmental funds for these purposes.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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

B. Health Insurance

The School District is a participant in the Summit Regional 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 five 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 \$100,000 per participant. The annual maximum specific stop-loss claims per covered person was \$5,000,000 for the year ending June 30, 2014. A third party also insured the SRHCC for annual aggregate stop-loss claims in excess of \$30,931,162.

In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SRHCC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

The School District has ceased being self-insured. For fiscal year 2013 and 2014, the claims liability is \$0. The claim payments made during the year are for health care screenings.

C. Workers' Compensation

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were, \$675,331, \$665,681 and \$591,114, respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,948,804, \$1,963,089 and \$2,010,142, respectively; 83.5 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$87,031 made by the School District and \$68,381 made by the plan members.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$78,547, \$80,539 and \$134,802, respectively; 97.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$38,148, \$37,038 and \$38,040, respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$149,908, \$151,007 and \$154,626, respectively; 83.5 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>one year</u>
<u>Governmental Long-term Obligations</u>					
<u>Bonds</u>					
2003 School Facilities Refunding					
Bonds, 2.00-4.00%					
Serial bonds	\$ 1,485,000	\$ -	\$ (590,000)	\$ 895,000	\$ 595,000
Unamortized premium	21,126	-	(15,810)	5,316	-
Total bonds	<u>1,506,126</u>	<u>-</u>	<u>(605,810)</u>	<u>900,316</u>	<u>595,000</u>
<u>Notes</u>					
2013 Tax Anticipation					
Notes, 1.20%	3,000,000	-	(585,000)	2,415,000	595,000
2003 Energy Conservation Notes					
Notes, 3.79%	490,261	-	(90,831)	399,430	94,307
Total notes	<u>3,490,261</u>	<u>-</u>	<u>(675,831)</u>	<u>2,814,430</u>	<u>689,307</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	1,737,463	197,873	(220,514)	1,714,822	246,125
Capital lease payable	47,936	-	(35,383)	12,553	12,553
Total other long-term obligations	<u>1,785,399</u>	<u>197,873</u>	<u>(255,897)</u>	<u>1,727,375</u>	<u>258,678</u>
Total governmental					
long-term obligations	<u>\$ 6,781,786</u>	<u>\$ 197,873</u>	<u>\$ (1,537,538)</u>	<u>\$ 5,442,121</u>	<u>\$ 1,542,985</u>

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

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

In 2013, the School District issued \$3,000,000 in Tax Anticipation Notes at an interest rate of 1.20% 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 permanent improvement capital project fund and mature in June 2018.

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2014 are as follows:

Fiscal Year Ending	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 595,000	\$ 23,900	\$ 689,307	\$ 43,233	\$ 1,284,307	\$ 67,133
2016	300,000	6,000	697,915	32,485	997,915	38,485
2017	-	-	706,661	21,539	706,661	21,539
2018	-	-	720,547	10,393	720,547	10,393
Total	<u>\$ 895,000</u>	<u>\$ 29,900</u>	<u>\$ 2,814,430</u>	<u>\$ 107,650</u>	<u>\$ 3,709,430</u>	<u>\$ 137,550</u>

NOTE 14 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During 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 \$100,000. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$35,383.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

Fiscal <u>Year</u>	Lease <u>Payments</u>
2015	\$ 12,800
Total minimum lease payments	12,800
Less: amount representing interest	<u>(247)</u>
Total	<u>\$ 12,553</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. 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 2014, the School District contributed \$157,542 to MRSC. This contribution includes purchases of software and related items as well as payment for services. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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

The Ohio Schools Council (Council) is a jointly governed organization among 199 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2014, the School District paid \$4,831 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

NOTE 16 – CONTINGENCIES

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

The 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, 2014, if applicable, cannot be determined at this time.

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, 2014.

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, 2013	\$ -
Current year set-aside requirement	536,027
Current year offset	(2,247,566)
Qualifying disbursements	<u>(229,944)</u>
Total	<u>\$ (1,941,483)</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2014

NOTE 18 - FUND DEFICITS

As of June 30, 2014, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 18,780
Title I	4,181

NOTE 19 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2014, the School District's general fund reported encumbrances not individually significant, as part of assigned fund balance. However, the School District had significant contractual commitments for the following:

<u>Fund/Project</u>	<u>Purchase Order Amount</u>	<u>Paid as of June 30, 2014</u>	<u>Remaining Commitment</u>
Permenant Improvement fund:			
Roofing projects	\$ 1,060,465	\$ 455,181	\$ 605,284

THIS PAGE INTENTIONALLY LEFT BLANK.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>						
National School Lunch Program	049981-3L60-2014	10.555	\$ 199,117	\$ 26,865	\$ 199,117	\$ 26,865
Total U.S. Department of Agriculture			<u>199,117</u>	<u>26,865</u>	<u>199,117</u>	<u>26,865</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	049981-3M00-2013	84.010	44,204		46,496	
Title I Grants to Local Educational Agencies	049981-3M00-2014	84.010	175,593		161,903	
Total Title I Grants to Local Educational Agencies			<u>219,797</u>		<u>208,399</u>	
Special Education Cluster:						
Special Education Grants to States	049981-3M20-2013	84.027	71,781		62,120	
Special Education Grants to States	049981-3M20-2014	84.027	528,290		514,867	
Total Special Education Grants to States			<u>600,071</u>		<u>576,987</u>	
English Language Acquisition Grant						
English Language Acquisition Grant	049981-3Y70-2013	84.365	25,024		25,024	
Total English Language Acquisition Grant			<u>25,024</u>		<u>25,024</u>	
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	049981-3Y60-2013	84.367	-		1,058	
Improving Teacher Quality State Grants	049981-3Y60-2014	84.367	57,554		56,620	
Total Improving Teacher Quality State Grants			<u>57,554</u>		<u>57,678</u>	
Total U.S. Department of Education			<u>902,446</u>		<u>868,088</u>	
Total Federal Financial Assistance			<u>\$1,101,563</u>	<u>\$ 26,865</u>	<u>\$ 1,067,205</u>	<u>\$ 26,865</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Copley-Fairlawn City School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C – 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.



Dave Yost • Auditor of State

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 Copley-Fairlawn City School District, Summit County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 determination of financial statement amounts. 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the 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, 2014.

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

COPLEY- FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**