



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Copley-Fairlawn City School District, Summit County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 11, 2002

Copley-Fairlawn City School District
Summit County
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise Service	Internal Service	Agency	General Assets	Fixed Assets	Long-Term Obligations	General	Obligations	
ASSETS AND OTHER DEBITS:													
Assets:													
Equity in Pooled Cash and Cash Equivalents	\$3,940,021	\$301,742	\$386,291	\$2,885,291	\$32,197	\$665,759	\$59,516	\$0	\$0	\$0	\$0	\$0	\$8,270,817
Receivables													
Taxes	17,486,423	0	1,239,371	465,261	0	0	0	0	0	0	0	0	19,191,055
Accounts	17,492	583	0	0	365	0	0	0	0	0	0	0	18,440
Interfund	1,204,000	0	0	0	0	0	0	0	0	0	0	0	1,204,000
Materials and Supplies													
Inventory	5,502	0	0	0	12,697	0	0	0	0	0	0	0	18,199
Prepaid Items	1,168	0	0	0	0	0	0	0	0	0	0	0	1,168
Restricted Asset:													
Equity in Pooled Cash and Cash Equivalents	100,473	0	0	0	0	0	0	0	0	0	0	0	100,473
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	130,968	0	0	51,126,800	0	0	0	0	51,257,768
Other Debits:													
Amount Available for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	422,730	0	0	0	422,730
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	11,565,219	0	0	0	11,565,219
Total Assets and Other Debits	\$22,755,079	\$302,325	\$1,625,662	\$3,350,552	\$176,227	\$665,759	\$59,516	\$51,126,800	\$11,987,949	\$0	\$0	\$0	\$92,049,869

(Continued)

The accompanying notes are an integral part of these statements.

Copley-Fairlawn City School District
Summit County
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise Service	Internal Service	Agency	General Fixed Assets	Long-Term Obligations	General	Long-Term Obligations	Totals (Memorandum Only)	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:													
Liabilities:													
Accounts Payable	\$115,976	\$6,456	\$0	\$590,436	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$712,868
Interfund Payable	0	4,000	0	1,200,000	0	0	0	0	0	0	0	0	1,204,000
Accrued Wages and Benefits	1,655,894	60,887	0	0	18,794	0	0	0	0	0	0	0	1,735,575
Compensated Absences	58,689	0	0	0	5,267	0	0	0	0	0	0	0	2,749,604
Accrued Sick Leave Bonus	38,048	850	0	0	2,856	0	0	0	0	0	0	0	41,754
Intergovernmental Payable	344,930	16,584	0	0	16,030	0	0	0	0	0	0	0	198,111
Due to Others	0	0	0	0	0	0	0	59,516	0	0	0	0	59,516
Deferred Revenue	16,757,454	0	1,202,932	446,347	0	0	0	0	0	0	0	0	18,406,733
Claims Payable	0	0	0	0	0	236,270	0	0	0	0	0	0	236,270
Capital Lease Payable	0	0	0	0	0	0	0	0	0	0	0	0	99,190
Note Payable	0	0	0	2,545,000	0	0	0	0	0	0	0	0	1,455,000
Bonds Payable	0	0	0	0	0	0	0	0	0	0	0	0	7,550,000
Total Liabilities	18,970,991	88,777	1,202,932	4,781,783	42,947	236,270	59,516	0	11,987,949	0	0	0	37,371,165
Fund Equity and Other Credits:													
Investment in General Fixed Assets	0	0	0	0	0	0	0	51,126,800	0	0	0	0	51,126,800
Contributed Capital	0	0	0	0	376,551	0	0	0	0	0	0	0	376,551
Retained Earnings - Unreserved (Deficit)	0	0	0	0	(243,271)	429,489	0	0	0	0	0	0	186,218
Fund Balances													
Reserved for Property Taxes	728,969	0	36,439	18,913	0	0	0	0	0	0	0	0	784,321
Reserved for Encumbrances	279,355	11,861	0	1,998,441	0	0	0	0	0	0	0	0	2,289,657
Reserved for Inventory	5,502	0	0	0	0	0	0	0	0	0	0	0	5,502
Reserved for Bureau of Workers Compensation	100,473	0	0	0	0	0	0	0	0	0	0	0	100,473
Reserved for Prepaid Items	1,168	0	0	0	0	0	0	0	0	0	0	0	1,168
Unreserved - Undesignated	2,668,621	201,687	386,291	(3,448,585)	0	0	0	0	0	0	0	0	(191,986)
Total Fund Equity and Other Credits	3,784,088	213,548	422,730	(1,431,231)	133,280	429,489	0	51,126,800	0	0	0	0	54,678,704
Total Liabilities, Fund Equity and Other Credits	\$22,755,079	\$302,325	\$1,625,662	\$3,350,552	\$176,227	\$665,759	\$59,516	\$51,126,800	\$11,987,949	\$0	\$0	\$0	\$92,049,869

The accompanying notes are an integral part of these statements.

Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
REVENUE:					
Taxes	\$16,926,161	\$0	\$1,258,113	\$475,414	\$18,659,688
Tuition and Fees	373,476	0	0	0	373,476
Intergovernmental	3,570,045	870,245	99,999	98,559	4,638,848
Interest	539,476	12,953	0	0	552,429
Extracurricular Activities	0	272,152	0	0	272,152
Other	139,072	200,253	0	0	339,325
Classroom Materials & Fees	19,592	0	0	0	19,592
Total Revenues	21,567,822	1,355,603	1,358,112	573,973	24,855,510
EXPENDITURES:					
Current					
Instruction					
Regular	11,585,044	121,154	0	42,500	11,748,698
Special	1,243,971	236,552	0	0	1,480,523
Vocational	660,636	26,499	0	720	687,855
Support Services					
Pupil	1,203,522	29,495	0	0	1,233,017
Instructional Staff	1,406,785	46,119	0	0	1,452,904
Board of Education	204,594	0	0	0	204,594
Administration	1,525,364	22,102	0	0	1,547,466
Fiscal	570,231	784	14,566	7,683	593,264
Business	109,379	0	0	0	109,379
Operation and Maintenance of Plant					
Pupil Transportation	373,409	0	0	0	373,409
Central	27,345	22,007	0	0	49,352
Community Services	103,264	440,355	0	31,120	574,739
Extracurricular Activities	467,890	513,605	0	0	981,495
Debt Service					
Principal and Interest Retirement	0	0	1,268,193	0	1,268,193
Capital Outlay	0	0	0	1,802,463	1,802,463
Total Expenditures	22,934,393	1,458,672	1,282,759	1,884,486	27,560,310
Revenues Over (Under)					
Expenditures	\$(1,366,571)	\$(103,069)	\$75,353	\$(1,310,513)	\$(2,704,800)

(Continued)

The accompanying notes are an integral part of these statements.

Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
OTHER FINANCING SOURCES (USES):					
Sale of Assets	\$1,349	\$0	\$0	\$0	\$1,349
Operating Transfers - In	0	47,153	0	0	\$47,153
Operating Transfers - Out	(72,153)	0	0	0	\$(72,153)
Refund of Prior Year's Expenditure	58,918	0	0	0	\$58,918
Refund of Prior Year's Receipt	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(11,886)</u>	<u>47,153</u>	<u>0</u>	<u>0</u>	<u>35,267</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,378,457)	(55,916)	75,353	(1,310,513)	(2,669,533)
Fund Balances at Beginning of Year	5,161,126	269,464	347,377	(120,718)	5,657,249
Decrease in Reserve for Inventory	<u>1,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,419</u>
Fund Balances (Deficit) at End of Year	<u>\$3,784,088</u>	<u>\$213,548</u>	<u>\$422,730</u>	<u>\$(1,431,231)</u>	<u>\$2,989,135</u>

The accompanying notes are an integral part of these statements.

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Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances- Budget Basis and Actual - All
Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES:			
Taxes	\$ 16,692,391	\$ 16,692,391	\$ 0
Tuition and Fees	373,356	373,476	120
Intergovernmental	3,567,322	3,570,045	2,723
Interest	507,398	539,476	32,078
Extracurricular Activities	0	0	0
Classroom Materials & Fees	15,117	15,117	0
Other	121,028	136,182	15,154
Total Revenues	<u>21,276,612</u>	<u>21,326,687</u>	<u>50,075</u>
EXPENDITURES:			
Current			
Instruction			
Regular	12,725,852	11,504,146	1,221,706
Special	1,409,593	1,275,322	134,271
Vocational	734,925	678,163	56,762
Adult Continuing	0	0	0
Other	0	0	0
Support Services			
Pupil	1,349,154	1,185,133	164,021
Instructional Staff	1,653,100	1,409,472	243,628
Board of Education	231,000	204,205	26,795
Administration	1,641,306	1,545,437	95,869
Fiscal	666,538	584,584	81,954
Business	120,300	102,788	17,512
Operation and Maintenance of Plant	3,025,222	2,748,149	277,073
Pupil Transportation	1,455,450	1,303,782	151,668
Central	139,033	97,838	41,195
Food Service Operations	0	0	0
Community Services	95,300	74,748	20,552
Extracurricular Activities	560,000	464,526	95,474
Building Acquisition and Construction	0	0	0
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	<u>25,806,773</u>	<u>23,178,293</u>	<u>2,628,480</u>
Revenues Over (Under) Expenditures	<u>(4,530,161)</u>	<u>(1,851,606)</u>	<u>2,678,555</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Assets	1,349	1,349	0
Advances - In	350,000	350,000	0
Advances - Out	(1,204,000)	(1,204,000)	0
Refund of Prior Year's Expenditures	96,835	96,835	0
Refund of Prior Year's Receipt	(1,000)	(45)	955
Operating Transfer - In	0	0	0
Operating Transfers - Out	(200,000)	(72,153)	127,847
Total Other Financing Sources (Uses)	<u>(956,816)</u>	<u>(828,014)</u>	<u>128,802</u>
Total Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,486,977)	(2,679,620)	2,807,357
Fund Balances at Beginning of Year	6,329,217	6,329,217	0
Prior Year Encumbrances	38,773	38,773	0
Fund Balance at End of Year	<u>\$ 881,013</u>	<u>\$ 3,688,370</u>	<u>\$ 2,807,357</u>

The accompanying notes are an integral part of these statements.

Special Revenue			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 1,246,114	\$ 1,246,114	\$ 0
0	0	0	0	0	0
870,246	870,246	0	99,999	99,999	0
12,703	12,952	249	0	0	0
270,993	272,152	1,159	0	0	0
0	0	0	0	0	0
200,772	200,276	(496)	0	0	0
<u>1,354,714</u>	<u>1,355,626</u>	<u>912</u>	<u>1,346,113</u>	<u>1,346,113</u>	<u>0</u>
124,119	120,874	3,245	0	0	0
273,901	234,429	39,472	0	0	0
28,800	26,334	2,466	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
48,598	38,099	10,499	0	0	0
52,298	46,089	6,209	0	0	0
0	0	0	0	0	0
22,126	22,102	24	0	0	0
1,991	784	1,207	14,950	14,566	384
0	0	0	0	0	0
5,957	0	5,957	0	0	0
0	0	0	0	0	0
30,288	22,313	7,975	0	0	0
0	0	0	0	0	0
527,356	453,725	73,631	0	0	0
582,483	514,814	67,669	0	0	0
0	0	0	0	0	0
0	0	0	1,270,050	1,268,193	1,857
<u>1,697,917</u>	<u>1,479,563</u>	<u>218,354</u>	<u>1,285,000</u>	<u>1,282,759</u>	<u>2,241</u>
<u>(343,203)</u>	<u>(123,937)</u>	<u>219,266</u>	<u>61,113</u>	<u>63,354</u>	<u>2,241</u>
0	0	0	0	0	0
0	0	0	0	0	0
4,000	4,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
47,153	47,153	0	0	0	0
0	0	0	0	0	0
<u>51,153</u>	<u>51,153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(292,050)	(72,784)	219,266	61,113	63,354	2,241
334,483	334,483	0	322,937	322,937	0
22,036	22,036	0	0	0	0
<u>\$ 64,469</u>	<u>\$ 283,735</u>	<u>\$ 219,266</u>	<u>\$ 384,050</u>	<u>\$ 386,291</u>	<u>\$ 2,241</u>

Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances- Budget Basis and Actual - All
Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 469,475	\$ 469,475	\$ 0
Tuition and Fees	0	0	0
Intergovernmental	98,559	98,559	0
Interest	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials & Fees	0	0	0
Other	0	0	0
Total Revenues	568,034	568,034	0
EXPENDITURES:			
Current			
Instruction			
Regular	46,000	42,500	3,500
Special	0	0	0
Vocational	3,697	720	2,977
Support Services			
Pupil	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	8,000	7,683	317
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Food Service Operations	31,125	31,120	5
Community Services	0	0	0
Extracurricular Activities	0	0	0
Building Acquisition and Construction	4,131,310	3,844,149	287,161
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	4,220,132	3,926,172	293,960
Revenues Over (Under) Expenditures	(3,652,098)	(3,358,138)	293,960
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Notes	2,545,000	2,545,000	0
Proceeds from Sale of Assets	0	0	0
Advances - In	1,200,000	1,200,000	0
Advances - Out	(350,000)	(350,000)	0
Refund of Prior Year's Expenditures	0	0	0
Refund of Prior Year's Receipt	0	0	0
Operating Transfer - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	3,395,000	3,395,000	0
Total Revenue and Other Financing			
Sources Over (Under) Expenditures and			
Other Financing Uses	(257,098)	36,862	293,960
Fund Balances at Beginning of Year	17,243	17,243	0
Prior Year Encumbrances	242,310	242,310	0
Fund Balance at End of Year	\$ 2,455	\$ 296,415	\$ 293,960

The accompanying notes are an integral part of these statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
18,407,980	18,407,980	\$ 0
373,356	373,476	120
4,636,126	4,638,849	2,723
520,101	552,428	32,327
270,993	272,152	1,159
15,117	15,117	0
321,800	336,458	14,658
24,545,473	24,596,460	50,987
12,895,971	11,667,520	1,228,451
1,683,494	1,509,751	173,743
767,422	705,217	62,205
1,397,752	1,223,232	174,520
1,705,398	1,455,561	249,837
231,000	204,205	26,795
1,663,432	1,567,539	95,893
691,479	607,617	83,862
120,300	102,788	17,512
3,031,179	2,748,149	283,030
1,455,450	1,303,782	151,668
169,321	120,151	49,170
31,125	31,120	5
622,656	528,473	94,183
1,142,483	979,340	163,143
4,131,310	3,844,149	287,161
1,270,050	1,268,193	1,857
33,009,822	29,866,787	3,143,035
(8,464,349)	(5,270,327)	3,194,022
2,545,000	2,545,000	0
1,349	1,349	0
1,554,000	1,554,000	0
(1,554,000)	(1,554,000)	0
96,835	96,835	0
(1,000)	(45)	955
47,153	47,153	0
(200,000)	(72,153)	127,847
2,489,337	2,618,139	128,802
(5,975,012)	(2,652,188)	3,322,824
7,003,880	7,003,880	0
303,119	303,119	0
\$ 1,331,987	\$ 4,654,811	\$ 3,322,824

**Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenses, and Changes in
Fund Equity - All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUES:			
Sales	\$588,273	\$0	\$588,273
Charges for Services	0	1,894,753	1,894,753
Other	<u>22,045</u>	<u>0</u>	<u>22,045</u>
Total Operating Revenues	<u>610,318</u>	<u>1,894,753</u>	<u>2,505,071</u>
OPERATING EXPENSES:			
Salaries and Wages	250,476	0	250,476
Fringe Benefits	86,437	0	86,437
Supplies	320,555	14,216	334,771
Contract Services	10,427	282,613	293,040
Cost of Sales	29,833	0	29,833
Depreciation	19,323	0	19,323
Claims	<u>0</u>	<u>1,809,167</u>	<u>1,809,167</u>
Total Operating Expenses	<u>717,051</u>	<u>2,105,996</u>	<u>2,823,047</u>
Operating Loss	<u>(106,733)</u>	<u>(211,243)</u>	<u>(317,976)</u>
NON-OPERATING REVENUES:			
Donated Commodities	25,878	0	25,878
Intergovernmental	82,654	0	82,654
Other Non-Operating Revenue	<u>3,582</u>	<u>41,753</u>	<u>45,335</u>
Total Non-Operating Revenues	<u>112,114</u>	<u>41,753</u>	<u>153,867</u>
Net Loss Before Operating Transfers	5,381	(169,490)	(164,109)
Operating Transfers - In	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Net Income (Loss)	30,381	(169,490)	(139,109)
Retained Earnings (Deficit) at Beginning of Year	<u>(273,652)</u>	<u>598,979</u>	<u>325,327</u>
Retained Earnings (Deficit) at End of Year	<u><u>\$(243,271)</u></u>	<u><u>\$429,489</u></u>	<u><u>\$186,218</u></u>

The accompanying notes are an integral part of these statements.

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Copley-Fairlawn City School District
Summit County
Combined Statement of Revenues, Expenses and Changes in
in Fund Equity - Budget Basis and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Enterprise		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Charges for Services	\$ 584,249	\$ 588,273	\$ 4,024
Operating Grants	82,654	82,654	0
Other	20,183	22,225	2,042
Interest	3,696	3,791	95
Total Revenues	690,782	696,943	6,161
EXPENDITURES:			
Salaries and Wages	257,800	250,869	6,931
Fringe Benefits	89,170	86,438	2,732
Contract Services	11,200	10,427	773
Supplies	384,730	373,899	10,831
Claims	0	0	0
Other	500	409	91
Total Expenses	743,400	722,042	21,358
Revenues Over (Under) Expenses	(52,618)	(25,099)	27,519
OTHER FINANCING SOURCES (USES):			
Operating transfers - In	25,000	25,000	0
Revenues and other Financing Sources Over (Under) Expenses and Other Financing Uses	(27,618)	(99)	27,519
Fund Balances at Beginning of Year	32,296	32,296	0
Fund Balances at End of Year	\$ 4,678	\$ 32,197	\$ 27,519

The accompanying notes are an integral part of these statements.

Internal Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,894,753	\$ 1,894,753	\$ 0	\$ 2,479,002	\$ 2,483,026	\$ 4,024
0	0	0	82,654	82,654	0
0	0	0	20,183	22,225	2,042
<u>39,229</u>	<u>41,753</u>	<u>2,524</u>	<u>42,925</u>	<u>45,544</u>	<u>2,619</u>
<u>1,933,982</u>	<u>1,936,506</u>	<u>2,524</u>	<u>2,624,764</u>	<u>2,633,449</u>	<u>8,685</u>
0	0	0	257,800	250,869	6,931
0	0	0	89,170	86,438	2,732
350,000	282,613	67,387	361,200	293,040	68,160
16,981	14,216	2,765	401,711	388,115	13,596
1,912,019	1,765,498	146,521	1,912,019	1,765,498	146,521
<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>409</u>	<u>91</u>
<u>2,279,000</u>	<u>2,062,327</u>	<u>216,673</u>	<u>3,022,400</u>	<u>2,784,369</u>	<u>238,031</u>
<u>(345,018)</u>	<u>(125,821)</u>	<u>219,197</u>	<u>(397,636)</u>	<u>(150,920)</u>	<u>246,716</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
(345,018)	(125,821)	219,197	(372,636)	(125,920)	246,716
<u>791,579</u>	<u>791,579</u>	<u>0</u>	<u>823,875</u>	<u>823,875</u>	<u>0</u>
<u>\$ 446,561</u>	<u>\$ 665,758</u>	<u>\$ 219,197</u>	<u>\$ 451,239</u>	<u>\$ 697,955</u>	<u>\$ 246,716</u>

**Copley-Fairlawn City School District
Summit County
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Enterprise Fund	Internal Service Fund	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	\$ (106,733)	\$ (211,243)	\$ (317,976)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation	19,323	-	19,323
Donated commodities in cost of sales	22,837	-	22,837
Change in assets and liabilities that increase (decrease) cash flow from operations			
Accounts receivable	180	-	180
Accrued wages and benefits	(27,755)	-	(27,755)
Compensated absences	(21,062)	-	(21,062)
Accrued bonus	550	-	550
Intergovernmental payable	1,325	-	1,325
Claims payable	-	43,670	43,670
Net cash provided by (used in) operating activities	<u>(111,335)</u>	<u>(167,573)</u>	<u>(278,908)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating grants	82,654	-	82,654
Other non-operating revenue	3,582	41,753	45,335
Transfers - In	25,000	-	25,000
Net cash provided by non-capital financing activities	<u>111,236</u>	<u>41,753</u>	<u>152,989</u>
Net increase (decrease) in cash and cash equivalents	(99)	(125,820)	(125,919)
Cash and cash equivalents - beginning of year	<u>32,296</u>	<u>791,579</u>	<u>823,875</u>
Cash and cash equivalents - end of year	<u>\$ 32,197</u>	<u>\$ 665,759</u>	<u>\$ 697,956</u>
NONCASH CAPITAL, INVESTING AND RELATED FINANCING ACTIVITIES:			
Donated commodities received	<u>\$ 25,878</u>	<u>\$ -</u>	<u>\$ 25,878</u>

The accompanying notes are an integral part of these statements.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

1. *Description of the Entity*

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 City district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 2000 was 3,058. The School District employed 216 certified employees and 140 non-certified employees.

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions and component units for which the School District (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District.

On this basis, there were no organizations subject to the School District's financial accountability which required incorporation into the financial statements.

2. *Basis of Presentation - Fund Accounting*

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Basis of Presentation - Fund Accounting - Continued*

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Basis of Presentation - Fund Accounting - Continued*

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types:

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This fund is used to account for the financing of services provided by one department or agency to another department or agency of the School District on a cost-reimbursement basis.

Fiduciary Fund Types:

The Fiduciary fund is used to account for assets held by the School District as an agent for other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Basis of Presentation - Fund Accounting - Continued*

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

3. *Measurement Focus and Basis of Accounting*

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and 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. The available period for the School District is sixty days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Measurement Focus And Basis Of Accounting* - Continued

deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, that are intended to finance fiscal year 2002 operations have been recorded as deferred revenue as more fully described in Note C.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable is recognized as revenue at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Budgetary Data*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Budgetary Data* – Continued

Estimated Resources - Continued

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

Appropriations:

By October 1, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Budgetary Data* – Continued

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Budgetary Data* – Continued

**Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$(1,378,457)	\$ (55,916)	\$ 75,353	\$ (1,310,513)
Net Adjustment for Revenue Accruals	(241,135)	23	(11,999)	(5,939)
Net Adjustment for Expenditure Accruals	(243,900)	(20,891)	0	(2,041,686)
Other Uses	(816,128)	4,000	0	3,395,000
Budget Basis	<u>\$ (2,679,620)</u>	<u>\$ (72,784)</u>	<u>\$ 63,354</u>	<u>\$ 36,862</u>

**Net Income/Revenue Over (Under)
Expenses and Operating Transfers
Proprietary Fund Types**

	Enterprise	Internal Service
GAAP Basis	\$ 30,381	\$ (169,490)
Net Adjustment for Revenue Accruals	389	0
Commodities Received	(25,878)	0
Net Adjustment for Expense Accruals	(54,147)	43,669
Commodities Used	29,833	0
Depreciation	19,323	0
Budget Basis	<u>\$ (99)</u>	<u>\$ (125,821)</u>

5. *Deposits and Investments*

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

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Deposits and Investments - Continued

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 monies are public deposits that the Board of Education has identified as not required for use within the current 2 year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediated use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than 1 year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Deposits and Investments* - Continued

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 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time, and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classification by at least nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment of investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Deposits and Investments* - Continued

Deposits: At year end, the carrying amount of the School District's deposits was \$(1,153,811) and the bank balance was \$70,697, all of which was covered by federal depository insurance.

Investments: The School District's investments are required to be categorized below to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAROhio and the Victory Federal Money Market Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 490,000	\$ 490,000	\$ 490,000
STAROhio	0	9,035,101	9,035,101
Totals	<u>\$ 490,000</u>	<u>\$ 9,525,101</u>	<u>\$ 9,525,101</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Deposits and Investments* - Continued

A reconciliation between the classifications of cash investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 8,371,290	\$ 0
Investments which are part of a cash management pool:		
Repurchase Agreement	(490,000)	490,000
STAROhio	(9,035,101)	9,035,101
GASB Statement No. 3	\$ (1,153,811)	\$ 9,525,101

6. *Inventory*

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale and are expensed when used.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. *Fixed Assets And Depreciation*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The School District has established a capitalization threshold for fixed assets at \$1,000.

Books, records, movies, and other learning aids kept at the School District Library are not included for reporting purposes. The School District does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The School District's policy is not to capitalize interest costs incurred as part of construction.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of five to ten years.

8. *Intergovernmental Revenues*

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Intergovernmental Revenues* - Continued

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Title I

Title VI

Drug Free Schools

Special Education - Title 6B -

Handicapped Children

Preschool Grant

Reimbursable Grants

Enterprise Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 17% of the School District's operating revenue during the 2001 fiscal year.

9. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. *Compensated Absences*

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place. Sick leave is calculated using the vesting method. It is assumed that employees of the District will probably retire from the District.

In the governmental funds, compensated absences that are expected to liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term obligations account group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

11. *Contributed Capital*

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital from the prior year.

12. *Long-Term Debt*

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. *Long-Term Debt (Continued)*

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

13. *Interfund Transactions*

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

All other interfund transfers are reported as operating transfers.

14. *Fund Equity*

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for reappropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, property taxes, and Bureau of Workers Compensation (BWC).

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. *Proprietary Fund Accounting*

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting", the School District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

16. *Total Columns on General Purpose Financial Statements*

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

17. *Restricted Assets*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

18. *Estimates*

The preparation of the financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

19. *Change in Accounting Principles*

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenue." At June 30, 2001, there was no effect on fund balance due to this implement action.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

**NOTE B - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND BALANCES
AND RETAINED EARNINGS DEFICITS**

Fund balances/retained earnings at June 30, 2001 included the following individual fund/retained earnings deficits:

Deficit Fund Balance	
Special Revenue Funds	
Title I	(\$ 4,637)
Drug Free Schools	(54)
M.I.S.	(1,097)
Capital Project Fund	
Permanent Improvement	(1,437,708)
Enterprise Fund	
Food Service	(281,715)

The Special Revenue, Capital Project and Enterprise Deficit Fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the District's funds and provides operating transfers when cash is required, not when accruals occur.

NOTE C - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1997.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 2000 was \$51.47 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.54 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$30.52 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE C - PROPERTY TAX – Continued

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 2000 was \$51.47 per \$1,000 of assessed valuation.

Real Property - 2000 Valuation	
Residential/Agricultural	\$352,770,640
Commercial/Industrial	208,034,930
Public Utilities	5,680
Minerals	19,580
Tangible Personal Property - 2001 Valuation	
General	66,110,989
Public Utilities	<u>24,551,990</u>
Total Valuation	<u><u>\$651,493,809</u></u>

The Summit County Treasurer collects property tax on behalf of all taxing districts within the County. The Summit County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 of \$784,321 is recognized as revenue.

NOTE D - INSURANCE

1. *Property Insurance*

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE D – INSURANCE - Continued

2. *Medical Self-Insurance*

The School District has established a medical self-insurance fund which is accounted for in the internal service fund. The purpose of this fund is to pay medical and dental claims of the School District's employees and their covered dependents and minimize the total cost of medical insurance to the School District. For the plan year beginning October 1, 2000 and ending September 30, 2001, medical claims exceeding \$50,000 per covered individual, per year, or \$2,067,811 in the aggregate per year are covered through private insurance carriers. The Self-Insurance Fund is funded by expenditures for health insurance out of the General Fund and Enterprise Fund.

The claims liability of \$236,270 reported in the fund at June 30, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in fiscal year 2000 and 2001 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2000	\$190,594	\$1,685,165	\$1,683,159	\$192,600
2001	192,600	1,809,167	1,765,497	236,270

3. *OSBA Group Rating Program*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE D – INSURANCE - Continued

3. OSBA Group Rating Program (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE E - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 347,449
Less Accumulated Depreciation	<u>(216,481)</u>
Net Fixed Assets	<u><u>\$ 130,968</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 196,211	\$ 0	\$ 0	\$ 196,211
Buildings and Improvements	44,084,852	898,272	0	44,983,124
Furniture and Equipment	3,514,730	183,134	(2,333)	3,695,531
Vehicles	<u>1,718,782</u>	<u>544,152</u>	<u>(11,000)</u>	<u>2,251,934</u>
Total	<u><u>\$49,514,575</u></u>	<u><u>\$ 1,625,558</u></u>	<u><u>\$ (13,333)</u></u>	<u><u>\$ 51,126,800</u></u>

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 2001 were as follows:

	<u>Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2001</u>
School Facilities				
Bonds - Middle School Construction, 1993, 4.70% - 6.25%	\$ 8,025,000	\$ 0	\$ (475,000)	\$ 7,550,000
Energy Conservation Note, 4.75%	1,705,000	0	(250,000)	1,455,000
Primary Classroom Additional Note 4.15%	0	2,545,000	0	2,545,000
Compensated Absences	2,036,895	648,753	0	2,685,648
Intergovernmental Payable	197,147	198,111	(197,147)	198,111
Capital Lease Payable	<u>133,942</u>	<u>0</u>	<u>(34,752)</u>	<u>99,190</u>
Totals	<u>\$ 12,097,984</u>	<u>\$3,391,864</u>	<u>\$ (956,899)</u>	<u>\$ 14,532,949</u>

Principal and interest requirements to retire school facilities bonds and notes at June 30, 2001 are as follows:

June 30, 2002	\$ 1,300,439
June 30, 2003	1,294,259
June 30, 2004	1,241,823
June 30, 2005	1,182,756
June 30, 2006	1,112,913
Thereafter	<u>6,554,374</u>
Total	<u>\$ 12,686,564</u>

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE G - DEFINED BENEFIT PENSION PLANS

1. School Employees Retirement System

The School District contributes to the School Employee Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$393,078, \$400,278 and \$372,156, respectively; 44 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$200,600 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE G - DEFINED BENEFIT PENSION PLANS

2. State Teachers' Retirement System (STRS)

The School District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers' Retirement System of Ohio, 275 Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,619,416, \$1,447,408, and, \$1,385,458, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$271,044, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE H - POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE H - POST-EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board had statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of the covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000 net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds - Food Service, Tomahawk Room, and Adult Education which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the School District for the fiscal year ended June 30, 2001:

	<u>Food Service</u>	<u>Tomahawk Room</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$ 588,093	\$ 15,801	\$ 6,424	\$ 610,318
Operating Expenses Before Depreciation	670,900	15,218	11,610	697,728
Depreciation	19,323	0	0	19,323
Operating (Loss)	(102,130)	583	(5,186)	(106,733)
Donations of Commodities	25,878	0	0	25,878
Grants	82,654	0	0	82,654
Net Non-Operating Revenue/Expenses	112,114	0	0	112,114
Net Income (Loss) before transfers	9,984	583	(5,186)	5,381
Operating Transfers-in	20,000	0	5,000	25,000
Net Working Capital	(2,676)	4,160	828	2,312
TOTAL ASSETS	171,223	4,160	844	176,227
TOTAL LIABILITIES	42,931	0	16	42,947
TOTAL EQUITY	128,292	4,160	828	133,280

NOTE J - LEASING ARRANGEMENTS

On February 2, 1999, the School District entered into a capital lease-purchase agreement to acquire new copiers. Assets under capital lease totaled \$180,000 at June 30, 2001 and accumulated amortization of those assets totaled \$80,810.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE J - LEASING ARRANGEMENTS – Continued

The following is a schedule of future minimum rental payments required under the above capital lease as of June 30, 2001:

<u>Year Ending June 30,</u>	<u>Amount</u>
2002	\$ 41,298
2003	41,298
2004	<u>24,091</u>
Total	106,687
Less Interest	<u>(7,497)</u>
Present Value of Minimum Lease Payments	<u>\$ 99,190</u>

NOTE K – CONTINGENCIES

STATE SCHOOL FUNDING DECISION

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 11, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE K – CONTINGENCIES – Continued

STATE SCHOOL FUNDING DECISION – Continued

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

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

NOTE L - JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEONET)

NEONET is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Summit and Portage Counties. The primary function of NEONET is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services.

Other areas of service provided by NEONET include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by NEONET.

NEONET is governed by a board of directors comprised of each Superintendent within the Organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of NEONET is limited to its voting authority and any representation it may have on the board of directors. The continued existence of NEONET is not dependent on the School District's continued participation and no equity interest exists.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE M – SET-ASIDE RESERVES

The District is required to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District had qualifying disbursements during the year that exceeded the required set-asides and the reserve balance. Extra amounts spent on textbooks and instructional material may be used to reduce set-aside requirements for future years.

	<u>Textbooks Instructional Material Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance July 1, 2001	\$0	\$0	\$847,077	\$847,077
Required Set-Aside	567,173	567,173	0	1,134,346
Qualifying Expenditures	<u>(712,922)</u>	<u>(569,319)</u>	<u>0</u>	<u>(1,282,241)</u>
Total	<u>\$(145,749)</u>	<u>\$(2,146)</u>	<u>\$0</u>	<u>\$699,182</u>
Balance June 30, 2001	\$0	\$0	\$0	

The State rescinded the requirement to set-aside for budgetary stabilization. The Budget Stabilization Reserve at July 1, 2000, included a \$100,473 refund from the Bureau of Workers' Compensation. That portion remains restricted to be used for any of the following: to offset a budget deficit, school facilities, textbooks or instructional materials, purchase of school buses, or professional development of teachers. The remaining \$746,604 of the Budget Stabilization Reserve reverted back to the General Fund Unreserved Fund Balance. The Bureau of Workers' Compensation funds appear as a Fund Balance – Reserved to BWC on the governmental Balance Sheet.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE N – TAX ANTICIPATION NOTES

Debt outstanding at June 30, 2001 was as follows:

Permanent Improvement Tax Anticipation Note

4.15% Interest Rate \$2,545,000

Tax anticipation notes were issued by the District on March 21, 2001. Principal payments will begin 2001, and are payable semi-annually June 1 and December 1 through 2006. The notes were initially issued in anticipation of the collection of the proceeds of an additional tax levy in excess of the ten-mill limitation approved by the electors of the District. Total interest to be paid over the remaining life of the loan is \$339,360.

Amortization of the above notes including interest is scheduled as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2002	\$ 122,340
2003	693,168
2004	687,852
2005	691,500
2006	<u>689,500</u>
	<u>\$ 2,884,360</u>

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Distribution National School Lunch Program	NA 049981 LL-P1 049981 LL-P4	10.550 10.555	\$44,412 35,353	\$25,878	\$44,412 35,353	\$28,562
Total United States Department of Agriculture - Child Nutrition Cluster			79,765	25,878	79,765	28,562
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049981 C1-S1 2000 049981 C1-S1 2000 049981 C1-S1 2001	84.010	2,179 12,324 100,000		2,179 15,092 84,014	
Total Title I Grants to Educational Local Agencies			114,503		101,285	
Special Education Cluster: Special Education - Grants to States	049981 6B-SF 2000 049981 6B-SF 2001	84.027	154,284		17,241 128,626	
Total Special Education - Grants to States			154,284		145,867	
Special Education - PreSchool Grants	049981 PG-S1 2000	84.173	10,417		10,417	
Total Special Education Cluster			164,701		156,284	
Safe and Drug-Free Education and Communities - State Grants	049981 DR-S1 2000	84.186	12,750		12,750	
Bilingual Education Support Services	N/A	84.194			3,617	
Eisenhower Professional Development State Grants	049981 MS-S1 00	84.281	8,188		2,612	
Innovative Education Program Strategies	049981 C2-S1 2000	84.298	18,449		16,431	
Technology Literacy Challenge Fund	049981 TF-34 2000	84.318			62,122	
ESEA Title VI-R Reducing Class Size Grant	049981 CR-S1 2000 049981 CR-S1 2001	84.340	33,662		4,548 28,705	
Total ESEA Title VI-R Reducing Class Size Grant			33,662		33,253	
Total United States Department of Education			352,253		388,354	
Totals			\$432,018	\$25,878	\$468,119	\$28,562

The accompanying notes to this schedule are an integral part of this schedule

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

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of the Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 11, 2002.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 11, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Copley-Fairlawn City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 11, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Cluster Grants to States #84.027 Special Education Pre-school Grants #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2002**