



Dave Yost • Auditor of State

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

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SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District, Summit County, Ohio, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2017

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Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

This discussion and analysis of Copley-Fairlawn City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- General revenues accounted for \$37,873,235 or 91.46% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,536,515 or 8.54% of total revenues of \$41,409,750.
- Governmental expenses totaled \$36,309,782; program revenues offset only \$3,536,515 of these expenses. General revenues of \$37,873,235 were adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$22,564,650, or 62.1% of all governmental expenses.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2016?" The statement of net position and statement of activities are designed to answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

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

In the statement of net position and the statement of activities, the School District's activities are considered to be all governmental activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2016, the School District had an increase in net position of \$5,099,968. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 59,020,912	\$ 55,274,965
Capital assets, net of depreciation	<u>20,566,171</u>	<u>20,400,131</u>
Total assets	<u>79,587,083</u>	<u>75,675,096</u>
Deferred outflows of resources		
Pension	<u>5,329,160</u>	<u>3,063,070</u>
Liabilities		
Current and other liabilities	3,627,748	4,006,206
Long-term liabilities:		
Due within one year	941,072	1,224,539
Due in more than one year:		
Net pension liability	47,789,663	41,571,169
Other amounts	<u>2,279,068</u>	<u>2,955,570</u>
Total liabilities	<u>54,637,551</u>	<u>49,757,484</u>
Deferred inflows of resources		
Property taxes	26,197,201	25,815,810
Pension	<u>3,348,187</u>	<u>7,531,536</u>
Total deferred inflows of resources	<u>29,545,388</u>	<u>33,347,346</u>
Net Position		
Net investment in capital assets	19,138,962	17,975,007
Restricted	1,205,985	1,990,992
Unrestricted	<u>(19,611,643)</u>	<u>(24,332,663)</u>
Total net position	<u>\$ 733,304</u>	<u>\$ (4,366,664)</u>

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

A portion of the School District's net position, \$1,205,985, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$10,351 is restricted for debt service payments, \$910,651 is restricted for capital projects and \$284,983 is restricted for other purposes. The remaining balance of net position of (\$19,611,643) is unrestricted.

The net pension liability is the largest single liability reported by the School District at June 30, 2016.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

Table 2 shows change in net position for fiscal year 2016 compared to fiscal year 2015.

Table 2
Change in Net Position

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,243,282	\$ 1,186,826
Operating grants, contributions and interest	2,283,733	2,107,362
Capital grants and contributions	9,500	45,891
General revenues:		
Property taxes	30,808,087	31,377,448
Grants and entitlements	6,613,104	6,901,349
Investment earnings	191,572	69,858
Increase in fair value of investments	73,059	32,389
Miscellaneous	187,413	315,315
Total revenues	<u>41,409,750</u>	<u>42,036,438</u>
Program Expenses		
Instruction:		
Regular	17,113,139	16,695,182
Special	4,860,514	4,352,694
Vocational	590,997	510,994
Support services:		
Pupils	1,784,042	1,685,957
Instructional staff	533,911	492,472
Board of education	205,343	130,241
Administration	2,141,454	1,934,781
Fiscal	993,809	926,761
Business	147,070	147,283
Operation and maintenance of plant	3,342,642	3,708,994
Pupil transportation	1,666,742	1,679,130
Central	316,887	326,761
Operation of non-instructional services:		
Food service operations	657,661	605,347
Community services	832,148	765,638
Extracurricular activities	1,086,637	1,146,055
Interest and fiscal charges	36,786	59,429
Total expenses	<u>36,309,782</u>	<u>35,167,719</u>
Increase in net position	<u>\$ 5,099,968</u>	<u>\$ 6,868,719</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Governmental Activities

Several revenue sources fund the School District's governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$30.8 million in 2016. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.6 million. With the combination of taxes and intergovernmental funding 90.4% of all revenues, School District management monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$22,564,650, or 62.1% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,317,953, or 6.4%, of the total governmental program expenses.

The Board of Education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$3,487,676, or 9.6%, of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of School District operations. The total cost for the operation and maintenance services was \$3,342,642, or 9.2%, of governmental program expenses.

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

	<u>2016</u>	<u>2015</u>
Net position	\$ 733,304	\$ (4,366,664)
Deferred outflows - pension	(5,329,160)	(3,063,070)
Deferred inflows - pension	3,348,187	7,531,536
Net pension liability	47,789,663	41,571,169
Net position without new standard	<u>\$ 46,541,994</u>	<u>\$ 41,672,971</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$41,746,789, and total expenditures were \$37,643,825. Table 3 shows fiscal year 2016 fund balances compared to fiscal year 2015.

Table 3
Fund Balances

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
General	\$ 27,057,550	\$ 22,199,147	\$ 4,858,403	21.89%
Other governmental	<u>1,180,972</u>	<u>1,936,411</u>	<u>(755,439)</u>	-39.01%
Total	<u>\$ 28,238,522</u>	<u>\$ 24,135,558</u>	<u>\$ 4,102,964</u>	

General Fund

The general fund is reporting a fund balance of \$27,057,550, an increase of \$4,858,403 from 2015. The increase in fund balance can be attributed to total current year revenues exceeding current year expenditures.

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Table 4
General Fund Changes in Revenues and Expenditures

	2016 Amount	2015 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 29,347,905	\$ 29,342,639	\$ 5,266	0.02%
Intergovernmental	6,758,786	6,833,072	(74,286)	-1.09%
Interest	191,572	83,846	107,726	128.48%
Tuition and fees	539,429	464,339	75,090	16.17%
Increase in fair value of investments	73,059	18,401	54,658	297.04%
Gifts and donations	12,500	1,000	11,500	1150.00%
Customer services	20,933	23,954	(3,021)	-12.61%
Rent	39,438	28,196	11,242	39.87%
Miscellaneous	259,111	402,113	(143,002)	-35.56%
Total revenues	<u>\$ 37,242,733</u>	<u>\$ 37,197,560</u>	<u>\$ 45,173</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	16,233,148	16,350,491	(117,343)	-0.72%
Special	4,109,320	3,496,635	612,685	17.52%
Vocational	575,801	520,627	55,174	10.60%
Support services:				
Pupils	1,795,553	1,714,576	80,977	4.72%
Instructional staff	536,653	502,343	34,310	6.83%
Board of education	205,769	130,490	75,279	57.69%
Administration	2,088,995	1,971,947	117,048	5.94%
Fiscal	971,916	900,235	71,681	7.96%
Business	151,087	150,493	594	0.39%
Operation and maintenance of plant	3,016,567	2,899,332	117,235	4.04%
Pupil transportation	1,581,489	1,560,742	20,747	1.33%
Central	304,871	308,405	(3,534)	-1.15%
Operation of non-instructional services:				
Community service	64,113	97,380	(33,267)	-34.16%
Extracurricular activities	704,403	712,931	(8,528)	-1.20%
Capital outlay	14,645	-	14,645	100.00%
Debt service:				
Principal retirement	-	12,553	(12,553)	-100.00%
Interest and fiscal charges	-	247	(247)	-100.00%
Total expenditures	<u>\$ 32,354,330</u>	<u>\$ 31,329,427</u>	<u>\$ 1,024,903</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2016, the School District amended its general fund revenue budget as more accurate property tax, State foundation and grant information became available. The School District amended its general fund expenditures budget several times during the year but none were significant. All budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue and other financing sources estimate was \$34,851,408. This amount was changed during the year, resulting in final revenue and other financing sources of \$36,622,249. Actual revenue and other financing sources reported was \$36,818,833, the change was an increase of \$196,584 from the final budget and was \$1,967,425 greater than the original budgeted amount. These changes were due primarily from taxes and intergovernmental revenues that were not known during the original budget process.

The original expenditures and other financing uses estimate for the fiscal year were \$33,370,252. The final expenditures and other financing uses estimate of \$33,523,396 was \$153,144 more than what was originally anticipated. The actual expenditures and other financing uses; however, were \$33,455,770, \$67,626 lower than the final budgeted amount. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$20,566,171 invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 5 shows fiscal year 2016 balances compared to fiscal year 2015.

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land and construction in progress	\$ 1,209,729	\$ 1,480,724
Land improvements	782,019	909,743
Buildings	17,367,119	17,112,438
Furniture and equipment	340,942	389,460
Vehicles	866,362	507,766
Total capital assets	<u>\$ 20,566,171</u>	<u>\$ 20,400,131</u>

The total increase in capital assets is due to a construction project completed during the fiscal year. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Debt

At June 30, 2016 the School District had \$1,427,209 in bonds, and notes outstanding. Of this outstanding debt, \$706,660 is due within one year. Table 6 summarizes the debt outstanding:

Table 6
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
2003 School Facilities Refunding Bonds	\$ -	\$ 300,000
2003 Energy Conservation Notes	207,209	305,124
2013 Permanent Improvement Notes	<u>1,220,000</u>	<u>1,820,000</u>
Total outstanding	<u>\$ 1,427,209</u>	<u>\$ 2,425,124</u>

At June 30, 2016, the School District's overall legal debt limit was \$72,296,161, with an unvoted debt limit of \$827,082. The School District is rated Aaa by Moody's Investors Service. See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

Copley-Fairlawn City School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 26,247,834
Inventory held for resale	5,704
Materials and supplies inventory	21,053
Receivables:	
Accounts	27,021
Intergovernmental	664,934
Accrued interest	55,847
Taxes	31,994,274
Prepaid items	4,245
Capital assets:	
Land and construction in progress	1,209,729
Depreciable capital assets, net	19,356,442
Total capital assets	<u>20,566,171</u>
Total assets	<u>79,587,083</u>
<u>Deferred outflows of resources:</u>	
Pension	<u>5,329,160</u>
<u>Liabilities:</u>	
Accounts payable	190,953
Accrued wages	2,377,677
Intergovernmental payable	1,057,898
Accrued interest payable	1,220
Long-term liabilities:	
Due within one year	941,072
Due in more than one year:	
Net pension liability	47,789,663
Other amounts due in more than one year	2,279,068
Total liabilities	<u>54,637,551</u>
<u>Deferred inflows of resources:</u>	
Property taxes	26,197,201
Pension	3,348,187
Total deferred inflows of resources	<u>29,545,388</u>
<u>Net Position:</u>	
Net investment in capital assets	19,138,962
Restricted for:	
Capital projects	910,651
Debt service	10,351
Other purposes	284,983
Unrestricted	<u>(19,611,643)</u>
Total net position	<u>\$ 733,304</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues				Net (Expense)
	Operating Grants,				Revenues and
	Contributions				Changes in
	and Interest				Net Position
	Expenses	Charges for	Capital Grants	Governmental	
		Services	and Contributions	Activities	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 17,113,139	\$ 389,341	\$ 385,850	\$ -	\$ (16,337,948)
Special	4,860,514	86,791	834,110	-	(3,939,613)
Vocational	590,997	18,503	-	-	(572,494)
Support services:					
Pupils	1,784,042	34,232	-	-	(1,749,810)
Instructional staff	533,911	-	-	-	(533,911)
Board of education	205,343	-	-	-	(205,343)
Administration	2,141,454	-	-	-	(2,141,454)
Fiscal	993,809	-	-	-	(993,809)
Business	147,070	-	-	-	(147,070)
Operation and maintenance of plant	3,342,642	39,438	-	9,500	(3,293,704)
Pupil transportation	1,666,742	-	-	-	(1,666,742)
Central	316,887	-	9,000	-	(307,887)
Operation of non-instructional services:					
Food service operations	657,661	367,525	285,023	-	(5,113)
Community services	832,148	2,430	740,589	-	(89,129)
Extracurricular activities	1,086,637	305,022	29,161	-	(752,454)
Interest and fiscal charges	36,786	-	-	-	(36,786)
Total governmental activities	<u>\$ 36,309,782</u>	<u>\$ 1,243,282</u>	<u>\$ 2,283,733</u>	<u>\$ 9,500</u>	<u>(32,773,267)</u>

General Revenues:

Property taxes levied for:

General purposes	29,136,590
Debt service	188,606
Capital outlay	1,482,891
Grants and entitlements not restricted to specific programs	6,613,104
Investment earnings	191,572
Increase in fair value of investments	73,059
Miscellaneous	187,413

Total general revenues 37,873,235

Change in net position 5,099,968

Net position beginning of year (4,366,664)

Net position end of year \$ 733,304

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 24,849,142	\$ 1,175,212	\$ 26,024,354
Inventory held for resale	-	5,704	5,704
Materials and supplies inventory	21,053	-	21,053
<u>Receivables:</u>			
Accounts	26,997	24	27,021
Intergovernmental	487,364	177,570	664,934
Accrued interest	55,847	-	55,847
Interfund	252,636	-	252,636
Taxes	30,380,382	1,613,892	31,994,274
Prepaid items	4,245	-	4,245
Total assets	<u>\$ 56,077,666</u>	<u>\$ 2,972,402</u>	<u>\$ 59,050,068</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 157,040	\$ 33,913	\$ 190,953
Accrued wages	2,282,574	95,103	2,377,677
Interfund payable	-	252,636	252,636
Intergovernmental payable	1,021,468	36,430	1,057,898
Total liabilities	<u>3,461,082</u>	<u>418,082</u>	<u>3,879,164</u>
<u>Deferred inflows of resources:</u>			
Property taxes	24,879,253	1,317,948	26,197,201
Unavailable revenue - delinquent property taxes	511,416	26,468	537,884
Unavailable revenue - other	168,365	28,932	197,297
Total deferred inflows of resources	<u>25,559,034</u>	<u>1,373,348</u>	<u>26,932,382</u>
<u>Fund balances:</u>			
Nonspendable	25,298	-	25,298
Restricted	-	1,198,987	1,198,987
Assigned	792,242	-	792,242
Unassigned	26,240,010	(18,015)	26,221,995
Total fund balances	<u>27,057,550</u>	<u>1,180,972</u>	<u>28,238,522</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 56,077,666</u>	<u>\$ 2,972,402</u>	<u>\$ 59,050,068</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total governmental fund balances		\$ 28,238,522
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,566,171
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 537,884	
Intergovernmental	39,678	
Tuition and fees	157,619	
Total	<u>735,181</u>	735,181
An internal service fund is used by management to charge the costs of healthcare screenings. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		223,480
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 5,329,160	
Deferred inflows - pension	(3,348,187)	
Net pension liability	(47,789,663)	
Total	<u>(45,808,690)</u>	(45,808,690)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Energy conservation notes	\$ (207,209)	
Tax anticipation notes	(1,220,000)	
Compensated absences	(1,792,931)	
Accrued interest payable	(1,220)	
Total	<u>(3,221,360)</u>	(3,221,360)
Net position of governmental activities		<u>\$ 733,304</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 29,347,905	\$ 1,689,362	\$ 31,037,267
Intergovernmental	6,758,786	2,151,821	8,910,607
Interest	191,572	1,631	193,203
Increase in fair value of investments	73,059	-	73,059
Tuition and fees	539,429	-	539,429
Extracurricular activities	-	243,836	243,836
Gifts and donations	12,500	38,661	51,161
Customer services	20,933	367,525	388,458
Rent	39,438	-	39,438
Miscellaneous	259,111	11,220	270,331
Total revenues	<u>37,242,733</u>	<u>4,504,056</u>	<u>41,746,789</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	16,233,148	244,078	16,477,226
Special	4,109,320	830,694	4,940,014
Vocational	575,801	-	575,801
Support services:			
Pupils	1,795,553	-	1,795,553
Instructional staff	536,653	-	536,653
Board of education	205,769	-	205,769
Administration	2,088,995	-	2,088,995
Fiscal	971,916	30,775	1,002,691
Business	151,087	-	151,087
Operation and maintenance of plant	3,016,567	17,294	3,033,861
Pupil transportation	1,581,489	-	1,581,489
Central	304,871	9,000	313,871
Operation of non-instructional services:			
Food service operations	-	658,965	658,965
Community services	64,113	765,025	829,138
Extracurricular activities	704,403	277,159	981,562
Capital outlay	14,645	1,420,204	1,434,849
Debt service:			
Principal retirement	-	997,915	997,915
Interest and fiscal charges	-	38,386	38,386
Total expenditures	<u>32,354,330</u>	<u>5,289,495</u>	<u>37,643,825</u>
Excess of revenues over (under) expenditures	<u>4,888,403</u>	<u>(785,439)</u>	<u>4,102,964</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	30,000	30,000
Transfers out	(30,000)	-	(30,000)
Total other financing sources (uses)	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	4,858,403	(755,439)	4,102,964
Fund balances at beginning of year	22,199,147	1,936,411	24,135,558
Fund balances at end of year	<u>\$ 27,057,550</u>	<u>\$ 1,180,972</u>	<u>\$ 28,238,522</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds		\$ 4,102,964
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital asset additions	\$ 1,434,849	
Depreciation expense	<u>(1,264,309)</u>	
Excess of capital asset additions over depreciation expense		170,540
<p>The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the cost of the capital assets sold is removed from the capital assets account in the statement of net position and offset against the sales proceeds resulting in a loss on the disposal of capital assets in the statement of activities. Thus, more revenue is reported in the governmental funds and more expenses in the statement of activities.</p>		
		(4,500)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:</p>		
Property taxes	\$ (229,180)	
Intergovernmental	(44,562)	
Tuition and fees	<u>(63,297)</u>	
Net change in deferred inflows of resources during the year		(337,039)
<p>Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		2,724,684
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(2,493,739)
<p>Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		997,915
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences	\$ (37,946)	
Decrease in accrued interest payable	<u>1,600</u>	
Total additional expenditures		(36,346)
<p>The internal service fund used by management to charge the costs of healthcare screenings to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.</p>		
		<u>(24,511)</u>
Change in net position of governmental activities		<u><u>\$ 5,099,968</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual - General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 27,787,800	\$ 29,240,561	\$ 29,240,561	\$ -
Intergovernmental	6,289,526	6,578,191	6,758,608	180,417
Interest	138,392	144,774	160,493	15,719
Tuition and fees	280,288	293,152	293,052	(100)
Rent	37,825	39,561	39,561	-
Gifts and donations	11,951	12,500	12,500	-
Customer services	1,799	1,882	2,430	548
Miscellaneous	134,208	142,009	142,009	-
Total revenues	<u>34,681,789</u>	<u>36,452,630</u>	<u>36,649,214</u>	<u>196,584</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	17,120,736	16,681,167	16,613,806	67,361
Special	4,261,528	4,170,528	4,170,528	-
Vocational	526,198	556,773	556,773	-
Support services:				
Pupils	1,866,385	1,849,391	1,849,126	265
Instructional staff	557,426	577,049	577,049	-
Board of education	356,920	230,056	230,056	-
Administration	2,109,211	2,123,323	2,123,323	-
Fiscal	536,106	992,243	992,243	-
Business	153,101	156,109	156,109	-
Operation and maintenance of plant	3,176,185	3,287,360	3,287,360	-
Pupil transportation	1,556,668	1,691,987	1,691,987	-
Central	332,886	323,415	323,415	-
Operation of non-instructional services:				
Community services	106,437	83,118	83,118	-
Extracurricular activities	710,465	680,579	680,579	-
Total expenditures	<u>33,370,252</u>	<u>33,403,098</u>	<u>33,335,472</u>	<u>67,626</u>
Excess of revenues over expenditures	<u>1,311,537</u>	<u>3,049,532</u>	<u>3,313,742</u>	<u>264,210</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	9,336	9,336	9,336	-
Refund of prior year expenditures	150,783	150,783	150,783	-
Advances in	9,500	9,500	9,500	-
Advances out	-	(90,298)	(90,298)	-
Transfers out	-	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>169,619</u>	<u>49,321</u>	<u>49,321</u>	<u>-</u>
Net change in fund balance	1,481,156	3,098,853	3,363,063	264,210
Fund balance at beginning of year	18,931,552	18,931,552	18,931,552	-
Prior year encumbrances appropriated	1,203,252	1,203,252	1,203,252	-
Fund balance at end of year	<u>\$ 21,615,960</u>	<u>\$ 23,233,657</u>	<u>\$ 23,497,867</u>	<u>\$ 264,210</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2016

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 223,480
Total assets	<u>\$ 223,480</u>
<u>Net position:</u>	
Unrestricted	223,480
Total liabilities and net position	<u>\$ 223,480</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2016

	Self Insurance
<u>Operating revenues</u>	
Charges for services	\$ 57,010
<u>Operating expenses:</u>	
Purchased services	11,070
Claims	69,556
Other	895
Total operating expenses	<u>81,521</u>
Change in net position	(24,511)
Net position beginning of year	247,991
Net position end of year	<u>\$ 223,480</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2016

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 57,010
Cash payments to suppliers for goods and services	(11,965)
Cash payments for claims	<u>(69,556)</u>
Net cash used for operating activities	<u>(24,511)</u>
 Net decrease in cash and cash equivalents	 (24,511)
 Cash and cash equivalents at beginning of year	 <u>247,991</u>
Cash and cash equivalents at end of year	<u>\$ 223,480</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (24,511)</u>
 Change in assets and liabilities:	 <u>-</u>
Net cash used for operating activities	<u>\$ (24,511)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 6,131	\$ 117,291
Cash and cash equivalents in segregated accounts	-	8,102,705
Receivables:		
Accounts	-	190
Accrued interest	-	8,380
Prepaid items	-	289,409
Total assets	<u>\$ 6,131</u>	<u>\$ 8,517,975</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 2,412,335
Undistributed monies	-	5,988,159
Due to students	-	117,481
Total liabilities	<u>-</u>	<u>\$ 8,517,975</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>6,131</u>	
Total net position	<u>\$ 6,131</u>	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2016

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

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Copley-Fairlawn City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a School District as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's seven instructional/support facilities staffed by 156 non-certificated and 242 certificated full time teaching personnel, including sixteen administrators, who provide services to 2,949 students and other community members.

Reporting Entity

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

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

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

The School District is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), the Four Cities Vocational Compact, and the Ohio Schools Council, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Fund Types:

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Expenditures/Expenses

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2016. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net position in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to overnight repurchase agreements, Federal Securities, certificates of deposit and commercial paper. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10-50 years
Buildings	25-50 years
Furniture and equipment	5-20 years
Vehicles	5-20 years

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

J. Interfund Balances

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

K. Net pension liability and pension expense

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

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

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

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

L. Compensated Absences

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In the event that unpaid compensated absences balances come due for payment at year end, these amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

M. Accrued Liabilities and Long-term Obligations

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

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

N. Fund Balance

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

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Assigned fund balance classification includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

O. Net Position

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Transactions

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

R. Estimates

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

NOTE 3 – FUND BALANCES

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>			
Materials and supplies inventory	\$ 21,053	\$ -	\$ 21,053
Prepays	<u>4,245</u>	<u>-</u>	<u>4,245</u>
Total nonspendable	<u>25,298</u>	<u>-</u>	<u>25,298</u>
<u>Restricted for</u>			
Athletics	-	151,593	151,593
Auxiliary services	-	146,943	146,943
Instructional programs	-	333	333
Special education	-	4,364	4,364
Capital improvements	-	885,403	885,403
Debt service payments	-	<u>10,351</u>	<u>10,351</u>
Total restricted	<u>-</u>	<u>1,198,987</u>	<u>1,198,987</u>
<u>Assigned</u>			
Rotary	1,296	-	1,296
Public school support	83,454	-	83,454
Other local grants	1,096	-	1,096
Encumbrances	<u>706,396</u>	<u>-</u>	<u>706,396</u>
Total assigned	<u>792,242</u>	<u>-</u>	<u>792,242</u>
Unassigned (deficit)	<u>26,240,010</u>	<u>(18,015)</u>	<u>26,221,995</u>
Total fund balances	<u>\$ 27,057,550</u>	<u>\$ 1,180,972</u>	<u>\$ 28,238,522</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 4,858,403
Revenue accruals	(277,062)
Prior year adjustment to fair market value of investments	27,674
Current year adjustments to fair market value of investments	(100,733)
Advances in	9,500
Expenditure accruals	97,790
Advances out	(90,298)
Budgeted as part of special revenue funds:	
Revenues	(83,279)
Expenditures	85,708
Encumbrances (Budget Basis) outstanding at year end	<u>(1,164,640)</u>
Budget basis	<u>\$ 3,363,063</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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

A. Deposits:

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

As of June 30, the carrying amount of the School District's deposits was \$1,565,671. The School District's bank balance of \$2,340,146 was not exposed to custodial credit risk.

All interest is legally required to be placed in the general fund, the food service and auxiliary services special revenue funds and the self-insurance internal service fund. Due to these provisions, the general fund received \$264,631, of which \$69,655 was assigned from other School District funds.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

B. Investments:

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

Investment Type		Investment Maturities (in Years)			Percentage of Investments
		Less Than 1	Less Than 2	3-5 Years	
Federal Farm Credit Bank	\$ 2,300,930	\$ -	\$ -	\$ 2,300,930	6.99%
Federal National Mortgage Assn.	5,820,553	-	2,444,300	3,376,253	17.70%
Federal Home Loan Bank	1,188,316	-	-	1,188,316	3.61%
Federal Home Loan Mortgage Corp.	2,070,716	-	-	2,070,716	6.29%
Repurchase agreement	5,760,000	5,760,000	-	-	17.50%
Commercial paper	4,993,299	4,993,299	-	-	15.17%
Investments reported in agency fund:					
Federal Home Loan Bank	250,715	250,715	-	-	0.76%
Federal National Mortgage Assn.	611,776	-	221,122	390,654	1.86%
Federal Home Loan Mortgage Corp.	125,048	-	-	125,048	0.38%
Repurchase agreement	6,160,000	6,160,000	-	-	18.72%
Commercial paper	651,127	651,127	-	-	1.98%
Total investments reported in agency fund	<u>7,798,666</u>	<u>7,061,842</u>	<u>221,122</u>	<u>515,702</u>	
Total investments	<u>\$ 29,932,480</u>	<u>\$ 17,815,141</u>	<u>\$ 2,665,422</u>	<u>\$ 9,451,917</u>	

Investment Type	Fair Value	Maturity (in Years)			Percentage of Investments
		Less Than 1	Less Than 2	3-5 years	
Negotiable certificates of deposit	\$ 2,037,846	\$ -	\$ -	\$ 2,037,846	6.19%
Investments reported in agency fund:					
Negotiable certificates of deposit	<u>937,964</u>	<u>-</u>	<u>175,780</u>	<u>762,184</u>	2.85%
Total negotiable certificates of deposit	<u>\$ 2,975,810</u>	<u>\$ -</u>	<u>\$ 175,780</u>	<u>\$ 2,800,030</u>	

All of the School District's negotiable CD's were covered in full by FDIC insurance.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2016. All investments of the School District are valued using quoted market prices (Level 1 inputs).

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$11,920,000 investment in repurchase agreements is to be secured by the specific securities upon which the repurchase agreements are based. The securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Association (FNMA) bonds and Federal Home Loan Mortgage Corporation (FHLMC) bonds. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FNMA, FHLMC and FFCB including the underlying investments of the repurchase agreements. The School District places no limit on the amount that may be invested in any one issuer. The investments in commercial paper and negotiable CD's are all individually below the 5 percent. The table above is the School District's allocation as of June 30, 2016.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utilities) located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit County. The Summit County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016, was \$4,989,713 in the general fund, \$0 in the bond retirement debt service fund, and \$269,476 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2015, was \$4,882,369 in the general fund, \$51,474 in the bond retirement debt service fund, and \$263,967 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

<u>Property Category</u>	<u>2015 Assessed Value</u>	<u>2014 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 468,245,840	\$ 467,741,620
Commercial and Industrial	284,233,070	277,967,810
Public Utilities	21,030	26,350
<u>Tangible Personal Property</u>		
Public Utilities	<u>64,231,280</u>	<u>46,868,060</u>
Total	<u>\$ 816,731,220</u>	<u>\$ 792,603,840</u>

NOTE 7 - RECEIVABLES

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 487,364
Special revenue funds:	
Food service	61,123
IDEA, Part B special education	86,626
Title I	29,821
Total intergovernmental receivable	<u>\$ 664,934</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	270,995	841,409	(1,112,404)	-
Total capital assets, not being depreciated	<u>1,480,724</u>	<u>841,409</u>	<u>(1,112,404)</u>	<u>1,209,729</u>
Capital assets, being depreciated:				
Land improvements	3,246,152	-	-	3,246,152
Buildings	39,388,972	1,156,336	-	40,545,308
Furniture and equipment	2,714,250	44,628	-	2,758,878
Vehicles	2,037,096	504,880	(186,226)	2,355,750
Total capital assets, being depreciated	<u>47,386,470</u>	<u>1,705,844</u>	<u>(186,226)</u>	<u>48,906,088</u>
Less: Accumulated depreciation				
Land improvements	(2,336,409)	(127,724)	-	(2,464,133)
Buildings	(22,276,534)	(901,655)	-	(23,178,189)
Furniture and equipment	(2,324,790)	(93,146)	-	(2,417,936)
Vehicles	(1,529,330)	(141,784)	181,726	(1,489,388)
Total accumulated depreciation	<u>(28,467,063)</u>	<u>(1,264,309)</u>	<u>181,726</u>	<u>(29,549,646)</u>
Total capital assets being depreciated, net	<u>18,919,407</u>	<u>441,535</u>	<u>(4,500)</u>	<u>19,356,442</u>
Governmental activities capital assets, net	<u>\$ 20,400,131</u>	<u>\$ 1,282,944</u>	<u>\$ (1,116,904)</u>	<u>\$ 20,566,171</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	622,670
Vocational		4,086
Support services:		
Administration		31,646
Operation and maintenance of plant		366,044
Pupil transportation		134,317
Food service operations		6,081
Extracurricular activities		99,465
Total depreciation expense	\$	<u>1,264,309</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2016 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 252,636	\$ -
Nonmajor governmental funds	-	252,636
	<u>\$ 252,636</u>	<u>\$ 252,636</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, or (3) payments between funds were made. As of June 30, 2016, all interfund loans outstanding are anticipated to be repaid in fiscal year 2017.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2016, the general fund transferred a total of \$30,000 to other nonmajor governmental funds for these purposes.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

B. Health Insurance

The School District is a participant in the Summit Regional Health Care Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of six Summit County school districts. The employer participants pay weekly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$100,000 per participant. The annual maximum specific stop-loss claims per covered person was \$5,000,000 for the year ending June 30, 2016. A third party also insured the SRHCC for annual aggregate stop-loss claims in excess of \$35,017,491.

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

The School District has ceased being self-insured. For fiscal year 2016, the claims liability is \$0. The claim payments made during the year are for health care related expenses.

C. Workers' Compensation

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

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

School Employee Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$565,645 for fiscal year 2016. Of this amount \$91,190 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and 1.5 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Effective July 1, 2016 the statutory maximum employee contribution rate was increased to 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,159,039 for fiscal year 2016. Of this amount \$477,437 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.138645%	0.1420621%	
Proportion of the net pension liability - current measurement date	<u>0.133270%</u>	<u>0.1454030%</u>	
Change in proportionate share	<u>-0.005375%</u>	<u>0.003341%</u>	
Proportionate share of the net pension liability	\$7,604,527	\$40,185,136	\$47,789,663
Pension expense	\$361,331	\$2,132,408	\$2,493,739

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 122,447	\$ 1,831,935	\$ 1,954,382
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	-	650,094	650,094
School District contributions subsequent to the measurement date	<u>565,645</u>	<u>2,159,039</u>	<u>2,724,684</u>
Total deferred outflows of resources	<u>\$ 688,092</u>	<u>\$ 4,641,068</u>	<u>\$ 5,329,160</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 251,963	\$ 2,890,071	\$ 3,142,034
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>206,153</u>	<u>-</u>	<u>206,153</u>
Total deferred inflows of resources	<u>\$458,116</u>	<u>\$2,890,071</u>	<u>\$3,348,187</u>

\$2,724,684 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (157,364)	\$ (489,669)	\$ (647,033)
2018	(157,364)	(489,669)	(647,033)
2019	(157,944)	(489,670)	(647,614)
2020	<u>137,003</u>	<u>1,060,966</u>	<u>1,197,969</u>
Total	<u>\$ (335,669)</u>	<u>\$ (408,042)</u>	<u>\$ (743,711)</u>

Actuarial Assumptions - SERS

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Cash	1.00 %	0.00 %
US stocks	22.50	5.00
Non-US stocks	22.50	5.50
Fixed income	19.00	1.50
Private equity	10.00	10.00
Real assets	10.00	5.00
Multi-asset strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 10,544,746	\$7,604,527	\$5,128,620

Changes between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 55,820,185	\$40,185,136	\$26,963,370

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employee Retirement System

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, there was no allocation of covered payroll allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$67,874.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$67,874, \$105,197, and \$78,547, respectively. For fiscal year 2016, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$149,908 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 13 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due within</u> <u>one year</u>
<u>Governmental Long-term Obligations</u>					
<u>Bonds</u>					
2003 School Facilities Refunding					
Bonds, 2.00-4.00%					
Serial bonds	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
<u>Notes</u>					
2013 Permanent Improvement					
Notes, 1.20%	1,820,000	-	(600,000)	1,220,000	605,000
2003 Energy Conservation Notes					
Notes, 3.79%	305,124	-	(97,915)	207,209	101,660
Total notes	<u>2,125,124</u>	<u>-</u>	<u>(697,915)</u>	<u>1,427,209</u>	<u>706,660</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	<u>1,754,985</u>	<u>306,728</u>	<u>(268,782)</u>	<u>1,792,931</u>	<u>234,412</u>
<u>Net pension liability</u>					
STRS	34,554,424	5,630,712	-	40,185,136	-
SERS	<u>7,016,745</u>	<u>587,782</u>	<u>-</u>	<u>7,604,527</u>	<u>-</u>
Total net pension liability	<u>41,571,169</u>	<u>6,218,494</u>	<u>-</u>	<u>47,789,663</u>	<u>-</u>
Total governmental long-term obligations	<u>\$ 45,751,278</u>	<u>\$ 6,525,222</u>	<u>\$ (1,266,697)</u>	<u>\$ 51,009,803</u>	<u>\$ 941,072</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

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

On October 1, 2002, the School District issued \$5,934,990 in General Obligation Bonds with an average interest rate of 3% to advance refund \$5,935,000 of outstanding School Facilities Bonds with an average interest rate of 6.18%. The bond proceeds consisted of bond principal and \$681,479 of premium. The net proceeds of \$5.9 million (after payment of \$115,240 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Facilities Bonds refunded. As a result of this issue, a portion of the School Facilities Bonds are considered to be defeased and the liability has been removed. All of the old bonds that were advanced refunded were called. The final payment was made on the bonds during fiscal year 2016.

In 2013, the School District issued \$3,000,000 in Permanent Improvement Notes at an interest rate of 1.20% to pay the costs of remodeling, improving and rehabilitating School District buildings and improving school sites and furnishing and equipping School District buildings. These notes will be repaid from the permanent improvement capital project fund and mature in June 2018.

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

The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2016 are as follows:

<u>Fiscal</u> <u>Year Ending</u>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 706,660	\$ 21,539
2018	720,549	10,390
Total	<u>\$ 1,427,209</u>	<u>\$ 31,929</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. During fiscal year 2016, the School District contributed \$145,084 to MRSC. This contribution includes purchases of software and related items as well as payment for services. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

The Four Cities Vocational Compact (Compact) is a jointly governed organization to provide for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this Compact, collecting and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services. During the fiscal year, the School District paid \$115,545 to the Compact.

The Ohio Schools Council (Council) is a jointly governed organization among 201 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2016, the School District paid \$4,475 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 15 – CONTINGENCIES

Litigation

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

School Foundation Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not yet finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 16 - STATUTORY RESERVES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2016

	Capital Maintenance <u>Set-aside</u>
Set-aside cash balance as of June 30, 2015	\$ -
Current year set-aside requirement	513,218
Current year offset	<u>(1,655,670)</u>
Total	<u>\$ (1,142,452)</u>

The current year offsets represent the permanent improvement levy cash-basis receipts received by the School District during fiscal year 2016.

NOTE 17 - FUND DEFICITS

As of June 30, 2016, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit balance:

<u>Fund</u>	<u>Amount</u>
Special revenue fund:	
Food service	\$ 3,209
IDEA, Part B	14,806

NOTE 18 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2016, the School District's general fund reported encumbrances not individually significant, as part of assigned fund balance. Other governmental funds reported outstanding encumbrances June 30, 2016 none of which are individually significant.

Required Supplementary Information

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio			
School District's proportion of the net pension liability	0.133270%	0.138645%	0.138645%
School District's proportionate share of the net pension liability	\$ 7,604,527	\$ 7,016,745	\$ 8,244,773
School District's covered employee payroll	\$ 3,922,587	\$ 3,992,208	\$ 4,167,572
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	193.87%	175.76%	197.83%
Plan fiduciary net position as a percentage of total pension liability	69.16%	71.70%	65.52%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio			
School District's proportion of the net pension liability	0.1454030%	0.1420621%	0.1420621%
School District's proportionate share of the net pension liability	\$ 40,185,136	\$ 34,554,424	\$ 41,161,004
School District's covered employee payroll	\$ 15,383,514	\$ 14,599,854	\$ 15,219,369
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	261.22%	236.68%	270.45%
Plan fiduciary net position as a percentage of total pension liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio				
Contractually required contribution	\$ 565,645	\$ 516,997	\$ 553,320	\$ 576,792
Contributions in relation to contractually required contribution	<u>(565,645)</u>	<u>(516,997)</u>	<u>(553,320)</u>	<u>(576,792)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 4,040,321	\$ 3,922,587	\$ 3,992,208	\$ 4,167,572
Contributions as a percentage of covered employee payroll	14.00%	13.18%	13.86%	13.84%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio				
Contractually required contribution	\$ 2,159,039	\$ 2,153,692	\$ 1,897,981	\$ 1,978,518
Contributions in relation to contractually required contribution	<u>(2,159,039)</u>	<u>(2,153,692)</u>	<u>(1,897,981)</u>	<u>(1,978,518)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 15,421,707	\$ 15,383,514	\$ 14,599,854	\$ 15,219,369
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

Copley-Fairlawn City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014, 2015 and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014, 2015 and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Breakfast Program	10.553	2016	\$ 10,520	\$ -	\$ 10,520	\$ -
National School Lunch Program	10.555	2016	173,213	35,102	173,213	35,102
Total U.S. Department of Agriculture			<u>183,733</u>	<u>35,102</u>	<u>183,733</u>	<u>35,102</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	84.010	2016	251,787	-	259,288	-
Title I Grants to Local Educational Agencies	84.010	2015	200	-	19,767	-
Total Title I Grants to Local Educational Agencies			<u>251,987</u>	<u>-</u>	<u>279,055</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States	84.027	2016	519,043	-	537,644	-
Special Education Grants to States	84.027	2015	49,444	-	60,707	-
Total Special Education Cluster/Special Education Grants to States			<u>568,487</u>	<u>-</u>	<u>598,351</u>	<u>-</u>
English Language Acquisition Grant	84.365	2016	20,327	-	20,327	-
Total English Language Acquisition Grant			<u>20,327</u>	<u>-</u>	<u>20,327</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	2016	58,879	-	58,611	-
Improving Teacher Quality State Grants	84.367	2015	1,116	-	1,871	-
Total Improving Teacher Quality State Grants			<u>59,995</u>	<u>-</u>	<u>60,482</u>	<u>-</u>
Total U.S. Department of Education			<u>900,796</u>	<u>-</u>	<u>958,215</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,084,529</u>	<u>\$ 35,102</u>	<u>\$ 1,141,948</u>	<u>\$ 35,102</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Copley-Fairlawn City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	\$ 79,936
Title II-A Improving Teacher Quality	84.367	\$ 363



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District, Summit County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2017



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Copley-Fairlawn City School District's, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Copley-Fairlawn City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2017

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

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

**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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Dave Yost • Auditor of State

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2017**