



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District, Summit County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As also described in Note 3, during the year ended June 30, 2003 the District reclassified tax anticipation notes from a short term liability to a long term liability to correct an error. As described in Note 8, the District increased its capitalization threshold for capital assets from \$1,000 to \$5,000 and corrected certain errors during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

May 17, 2004

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

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, 2003. 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. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", some analyses with prior year data is not available. Future Management Discussion and Analyses will be comparative.

Financial Highlights

Key financial highlights for 2003 are as follows:

- General revenues accounted for \$27,849,293 in revenue or 90.8% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,805,055 or 9.2% of total revenues of \$30,654,348.
- The School District had \$29,538,865 in expenses related to governmental activities; program revenues offset only \$2,805,055 of these expenses. \$27,849,293 of general revenues was available to provide for these programs resulting in a increase in net assets of \$1,115,483.
- Of the total governmental expenses of \$29,538,865, the amount related to instruction totaled \$16,277,979 or 56.3% of this total.
- At the end of the fiscal year, fund balance for the general fund was \$2,345,372, an increase of \$169,753 as compared to fiscal year 2002.

Using this Annual Financial Report

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

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2003?" The statement of net assets and statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all governmental activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's only major governmental fund is the general fund.

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. This is the School District's first year for reporting government-wide financial statements using the accrual basis of accounting; therefore a comparison with the prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

Table 1 provides a summary of the School District's net assets for 2003.

Table 1
Net Assets

	<i>Governmental</i> <u><i>Activities</i></u>
<i>Assets</i>	
<i>Current and other assets</i>	\$ 29,187,238
<i>Capital assets, net of depreciation</i>	<u>19,305,456</u>
<i>Total assets</i>	<u><u>48,492,694</u></u>
<i>Liabilities</i>	
<i>Current and other liabilities</i>	24,783,243
<i>Long-term liabilities:</i>	
<i>Due within one year</i>	1,941,977
<i>Due in more than one year</i>	<u>10,117,920</u>
<i>Total liabilities</i>	<u><u>36,843,140</u></u>
<i>Net Assets</i>	
<i>Invested in capital assets, net of debt</i>	8,832,592
<i>Restricted</i>	965,064
<i>Unrestricted</i>	<u>1,851,898</u>
<i>Total net assets</i>	<u><u>\$ 11,649,554</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the School District's change in net assets was \$1,115,483.

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

A portion of the School District's net assets, \$965,064, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$761,600 is restricted for debt service payments, and \$203,464 is restricted for other purposes. The remaining balance of net assets of \$1,851,898 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Table 2 shows change in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	<u>Governmental</u> <u>Activities</u>
Revenues	
<i>Program revenues:</i>	
<i>Charges for services</i>	\$ 1,218,982
<i>Operating grants, contributions and interest</i>	1,501,645
<i>Capital grants and contributions</i>	84,428
<i>General revenues:</i>	
<i>Property taxes</i>	22,810,978
<i>Grants and entitlements</i>	4,783,994
<i>Investment earnings</i>	86,226
<i>Miscellaneous</i>	168,095
<i>Total revenues</i>	<u>30,654,348</u>
Program Expenses	
<i>Instruction:</i>	
<i>Regular</i>	13,807,595
<i>Special</i>	1,722,828
<i>Vocational</i>	733,790
<i>Adult/continuing</i>	13,766
<i>Support services:</i>	
<i>Pupils</i>	1,408,539
<i>Instructional staff</i>	1,385,383
<i>Board of education</i>	132,550
<i>Administration</i>	1,799,165
<i>Fiscal</i>	701,267
<i>Business</i>	135,044
<i>Operation and maintenance of plant</i>	2,908,451
<i>Pupil transportation</i>	1,250,752
<i>Central</i>	158,691
<i>Operation of non-instructional services:</i>	
<i>Food service operations</i>	803,320
<i>Community services</i>	622,338
<i>Extracurricular activities</i>	1,103,375
<i>Interest and fiscal charges</i>	852,011
<i>Total expenses</i>	<u>29,538,865</u>
<i>Decrease in net assets</i>	<u>\$ 1,115,483</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$22.8 million in 2003. General revenues from grants and entitlements, such as the school foundation program, generated over \$4.7 million. With the combination of taxes and intergovernmental funding 90.0% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$16,277,979 or 55.1% 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 \$2,793,922 of the total governmental program expenses, or 9.5%.

Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,768,026 or 9.4% 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 the School District's operations. The total cost for the operation and maintenance services was \$2,908,451 or 9.8% of the governmental program expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2003. Comparisons to 2002 have not been presented since that information is not available. In future years a comparative analysis of government-wide data will be presented.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Table 3
Governmental Activities

<i>Program Expenses</i>	<i>Total Cost of Services</i>	<i>Net Cost of Services</i>
<i>Instruction:</i>		
<i>Regular</i>	\$ 13,807,595	\$ (13,376,995)
<i>Special</i>	1,722,828	(1,295,832)
<i>Vocational</i>	733,790	(706,639)
<i>Adult/continuing</i>	13,766	4,695
<i>Other</i>	-	8,623
<i>Support services:</i>		
<i>Pupils</i>	1,408,539	(1,315,141)
<i>Instructional staff</i>	1,385,383	(1,373,680)
<i>Board of education</i>	132,550	(132,550)
<i>Administration</i>	1,799,165	(1,774,980)
<i>Fiscal</i>	701,267	(701,267)
<i>Business</i>	135,044	(135,044)
<i>Operation and maintenance of plant</i>	2,908,451	(2,905,755)
<i>Pupil transportation</i>	1,250,752	(1,208,487)
<i>Central</i>	158,691	(129,726)
<i>Operation on non-instructional services:</i>		
<i>Food service operations</i>	803,320	(58,794)
<i>Community services</i>	622,338	(113,085)
<i>Extracurricular activities</i>	1,103,375	(667,142)
<i>Interest and fiscal charges</i>	852,011	(852,011)
<i>Total</i>	<u>\$ 29,538,865</u>	<u>\$ (26,733,810)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$30,636,510 and total expenditures were \$30,818,839. The change in fund balance for the School District's only major fund, the general fund, was an increase of \$169,753. This increase was able to be reported, as expenses were able to be kept in line with available revenues.

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 2003, the School District amended its general fund budget as expenditure priorities change according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

For the general fund, the final budget basis revenue estimate was \$24,008,904, which was an increase over the original budget estimate of \$22,003,767. The increase of \$2,005,137 was primarily attributed to a conservative tax estimate.

The original expenditure budget of \$25,559,835 was revised during the fiscal year with a final budget amount of \$25,565,680. Actual expenditures reported were \$266,616 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$19,305,456 invested in land, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

Table 4
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Land</i>	\$ 1,209,729	\$ 1,209,729
<i>Land improvements</i>	464,523	535,824
<i>Buildings and improvements</i>	15,912,340	16,578,950
<i>Furniture, fixtures and equipment</i>	1,352,639	929,402
<i>Vehicles</i>	366,225	461,918
<i>Total capital assets</i>	<u>\$ 19,305,456</u>	<u>\$ 19,715,823</u>

The most significant purchases by the School District during the year were for new copiers and a new phone system, which makes up the majority of the \$742,144 increase in furniture and equipment. The total decrease in the value of assets, as compared to the prior year, is due to the current year's depreciation on the School District's assets. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2003 the School District had \$9,991,542 in bonds and notes outstanding, including \$666,552 of an unamortized premium from the issuance of the 2003 School Facilities Refunding Bonds. Of this outstanding debt, \$1,645,784 is due within one year. Table 5 summarizes the debt and capital leases outstanding:

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

*Table 5
Outstanding Debt and Capital Lease, at Fiscal Year End*

	<i>Governmental Activities <u>2003</u></i>	<i>Governmental Activities <u>2002</u></i>
<i>1993 School Facilities Bonds</i>	\$ 530,000	\$ 7,020,000
<i>2003 School Facilities Refunding Bonds</i>	5,934,990	-
<i>Unamortized premium</i>	666,552	-
<i>1996 Energy Conservation Notes</i>	915,000	1,190,000
<i>2001 Tax Anticipation Notes</i>	1,945,000	2,545,000
<i>Capital leases</i>	594,038	62,464
<i>Total outstanding</i>	<u>\$ 10,585,580</u>	<u>\$ 10,817,464</u>

At June 30, 2003 the School District's overall legal debt limit was \$58,090,528, with an unvoted debt limit of \$740,562. The School District is rated Aaa by Moody's Investors Service. See Note 15 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.

A challenge facing the School District is the future of State funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Ohio General Assembly was directed to enact a school-funding mechanism that is to be thorough and efficient. The School District is unable to determine what effect, if any, this decision will have on future funding from the State. See Note 17 to the basic financial statements for more on this contingent matter.

Due to the unsettled issues in the 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.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Contacting the School District's Financial Management

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

Copley-Fairlawn City School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 3,521,399
Cash and cash equivalents:	
In segregated accounts	872,166
Receivables:	
Taxes	24,478,366
Accounts	6,045
Intergovernmental	109,979
Prepaid items	52,282
Inventory held for resale	12,465
Materials and supplies inventory	21,820
Deferred charges	112,716
Capital assets:	
Land	1,209,729
Depreciable capital assets, net	<u>18,095,727</u>
Total capital assets	<u>19,305,456</u>
Total assets	<u>48,492,694</u>
 <u>Liabilities:</u>	
Accounts payable	54,255
Accrued wages	2,100,561
Compensated absences payable	110,758
Intergovernmental payable	763,676
Deferred revenue	21,523,055
Accrued interest payable	20,806
Claims payable	210,132
Long-term liabilities:	
Due within one year	1,941,977
Due in more than one year	<u>10,117,920</u>
Total liabilities	<u>36,843,140</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	8,832,592
Restricted for:	
Debt service	761,600
Other purposes	203,464
Unrestricted	<u>1,851,898</u>
Total net assets	<u>\$ 11,649,554</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 13,807,595	\$ 289,559	\$ 96,908	\$ 44,133	\$ (13,376,995)
Special	1,722,828	43,805	383,191	-	(1,295,832)
Vocational	733,790	-	27,151	-	(706,639)
Adult/continuing	13,766	18,461	-	-	4,695
Other	-	8,623	-	-	8,623
Support services:					
Pupils	1,408,539	-	93,398	-	(1,315,141)
Instructional staff	1,385,383	-	11,703	-	(1,373,680)
Board of education	132,550	-	-	-	(132,550)
Administration	1,799,165	-	24,185	-	(1,774,980)
Fiscal	701,267	-	-	-	(701,267)
Business	135,044	-	-	-	(135,044)
Operation and maintenance of plant	2,908,451	-	2,696	-	(2,905,755)
Pupil transportation	1,250,752	1,970	-	40,295	(1,208,487)
Central	158,691	-	28,965	-	(129,726)
Operation of non-instructional services					
Food service operations	803,320	610,877	133,649	-	(58,794)
Community services	622,338	-	509,253	-	(113,085)
Extracurricular activities	1,103,375	245,687	190,546	-	(667,142)
Interest and fiscal charges	852,011	-	-	-	(852,011)
Total governmental activities	\$ 29,538,865	\$ 1,218,982	\$ 1,501,645	\$ 84,428	(26,733,810)

General Revenues:

Property taxes levied for:

General purposes	20,320,822
Debt service	1,919,789
Capital outlay	570,367
Grants and entitlements not restricted to specific programs	4,783,994
Investment earnings	86,226
Miscellaneous	168,095
Total general revenues	27,849,293

Change in net assets

Net assets beginning of year - restated (See Note 3)

Net assets end of year

1,115,483

10,534,071

\$ 11,649,554

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,121,679	\$ 1,359,425	\$ 3,481,104
Cash and cash equivalents:			
In segregated accounts	173,494	-	173,494
Receivables:			
Taxes	22,729,061	1,749,305	24,478,366
Accounts	4,208	1,837	6,045
Intergovernmental	-	109,979	109,979
Interfund	710,000	-	710,000
Inventory held for resale	-	12,465	12,465
Materials and supplies inventory	18,617	3,203	21,820
Prepaid items	52,282	-	52,282
Equity in pooled cash and cash equivalents (restricted)	40,295	-	40,295
Total assets	\$ 25,849,636	\$ 3,236,214	\$ 29,085,850
<u>Liabilities:</u>			
Accounts payable	\$ 41,945	\$ 12,310	\$ 54,255
Accrued wages	1,983,865	116,696	2,100,561
Interfund payable	-	710,000	710,000
Intergovernmental payable	503,773	27,205	530,978
Compensated absences payable	110,758	-	110,758
Deferred revenue	20,863,923	1,645,790	22,509,713
Total liabilities	23,504,264	2,512,001	26,016,265
<u>Fund balances:</u>			
Reserved:			
Reserved for encumbrances	389,619	86,878	476,497
Reserved for bus purchases	40,295	-	40,295
Reserved for prepaids	52,282	-	52,282
Unreserved, undesignated, reported in:			
General fund	1,863,176	-	1,863,176
Special revenue funds	-	142,208	142,208
Debt service fund	-	764,977	764,977
Capital projects fund	-	(269,850)	(269,850)
Total fund balances	2,345,372	724,213	3,069,585
Total liabilities and fund balances	\$ 25,849,636	\$ 3,236,214	\$ 29,085,850

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2003

Total governmental funds balances		\$ 3,069,585
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,305,456
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 945,721	
Intergovernmental	40,937	
Total	<u>986,658</u>	986,658
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		488,540
Deferred charges are included in the governmental activities in the statement of net assets.		112,716
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(232,698)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and notes	\$ (9,991,542)	
Compensated absences	(1,474,317)	
Capital leases	(594,038)	
Accrued interest payable	(20,806)	
Total	<u>(12,080,703)</u>	<u>(12,080,703)</u>
Net assets of governmental activities		<u>\$ 11,649,554</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, 2003

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 20,308,107	\$ 2,520,481	\$ 22,828,588
Intergovernmental	4,587,794	1,528,804	6,116,598
Interest	86,005	2,725	88,730
Tuition and fees	319,237	-	319,237
Extracurricular activities	-	245,687	245,687
Gifts and donations	5,060	35,669	40,729
Charges for services	16,097	637,961	654,058
Rent	38,079	-	38,079
Miscellaneous	124,952	179,852	304,804
Total revenues	<u>25,485,331</u>	<u>5,151,179</u>	<u>30,636,510</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	13,496,028	173,535	13,669,563
Special	1,402,391	343,059	1,745,450
Vocational	683,788	43,030	726,818
Adult/continuing	-	13,766	13,766
Support services:			
Pupils	1,313,550	90,788	1,404,338
Instructional staff	1,332,651	35,891	1,368,542
Board of education	137,919	-	137,919
Administration	1,706,579	535,751	2,242,330
Fiscal	675,772	31,341	707,113
Business	124,948	-	124,948
Operation and maintenance of plant	2,623,472	308,969	2,932,441
Pupil transportation	1,166,288	-	1,166,288
Central	135,658	25,660	161,318
Operation of non-instructional services:			
Food service operations	-	743,568	743,568
Community services	103,700	524,689	628,389
Extracurricular activities	499,432	521,149	1,020,581
Capital outlay	-	40,528	40,528
Debt service:			
Principal retirement	35,297	1,509,522	1,544,819
Interest and fiscal charges	5,523	319,357	324,880
Bond issuance costs	-	115,240	115,240
Total expenditures	<u>25,442,996</u>	<u>5,375,843</u>	<u>30,818,839</u>
Excess of revenues over (under) expenditures	<u>42,335</u>	<u>(224,664)</u>	<u>(182,329)</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of capital assets	2,500	-	2,500
Inception of capital lease	179,718	510,000	689,718
Refunding bonds issued	-	5,934,990	5,934,990
Accrued interest received on debt issuance	-	14,353	14,353
Premium on debt issuance	-	681,479	681,479
Payment to refunded bond escrow agent	-	(6,491,564)	(6,491,564)
Transfers in	-	54,800	54,800
Transfers out	(54,800)	-	(54,800)
Total other financing sources (uses)	<u>127,418</u>	<u>704,058</u>	<u>831,476</u>
Net change in fund balances	169,753	479,394	649,147
Fund balances beginning of year	2,175,619	244,819	2,420,438
Fund balances end of year	<u>\$ 2,345,372</u>	<u>\$ 724,213</u>	<u>\$ 3,069,585</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, 2003

Net change in fund balances - total governmental funds \$ 649,147

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$	782,672	
Depreciation expense		<u>(1,136,039)</u>	
Excess of depreciation expense over capital asset additions			(353,367)

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 assets and offset against the sales proceeds resulting in a gain or loss in the statement of activities. Thus, more revenue is reported in the governmental funds and more expenses in the statement of activities.

(13,675)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$	(17,608)	
Intergovernmental		<u>1,978</u>	
Net change in deferred revenues during the year			(15,630)

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

1,544,819

The issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.

Payment to refunded bond escrow agent	\$	6,491,564	
Issuance cost		115,240	
Interest payment on refunded bonds		(556,564)	
Proceeds of refunding bonds		(5,934,990)	
Premium on new bonds		<u>(681,479)</u>	
Net change caused by the issuance and refunding of bonds			(566,229)

The amortization of issuance costs and bond premium is reflected as an expense in the statement of activities.

Issuance cost	\$	(2,524)	
Premium		<u>14,927</u>	
Total additional expenses			12,403

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net assets, the lease obligation is reported as a liability. Inception of a capital lease

(689,718)

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

Increase in compensated absences	\$	(91,799)	
Increase in pension obligation		(20,872)	
Decrease in accrued interest		<u>2,677</u>	
Total additional expenses			(109,994)

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. The net revenue (expense) of the internal service fund is reported in the government-wide statements.

657,727

Change in net assets of governmental activities \$ 1,115,483

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 17,419,261	\$ 18,886,034	\$ 18,938,313	\$ 52,279
Intergovernmental	4,134,106	4,451,488	4,587,794	136,306
Interest	150,000	86,477	86,477	-
Tuition and fees	204,000	368,456	368,456	-
Gifts and donations	-	5,060	5,060	-
Rent	35,000	34,171	34,171	-
Charges for services	16,000	16,097	16,097	-
Miscellaneous	45,400	161,121	162,309	1,188
Total revenues	<u>22,003,767</u>	<u>24,008,904</u>	<u>24,198,677</u>	<u>189,773</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,248,670	13,487,601	13,222,525	265,076
Special	1,434,571	1,413,181	1,413,182	(1)
Vocational	633,726	698,547	698,547	-
Support services:				
Pupils	1,430,504	1,297,128	1,297,128	-
Instructional staff	1,499,386	1,362,411	1,362,412	(1)
Board of education	235,965	174,762	174,762	-
Administration	1,739,823	1,675,022	1,675,022	-
Fiscal	653,338	658,287	658,287	-
Business	114,116	114,576	114,576	-
Operation and maintenance of plant	2,683,294	2,779,126	2,779,125	1
Pupil transportation	1,165,925	1,170,014	1,170,014	-
Central	126,350	134,893	134,893	-
Operation of non-instructional services	67,600	97,222	97,222	-
Extracurricular activities	526,567	502,910	501,369	1,541
Total expenditures	<u>25,559,835</u>	<u>25,565,680</u>	<u>25,299,064</u>	<u>266,616</u>
Excess of revenues over (under) expenditures	<u>(3,556,068)</u>	<u>(1,556,776)</u>	<u>(1,100,387)</u>	<u>456,389</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	500	2,500	2,500	-
Advances in	515,808	515,808	650,450	134,642
Advances out	-	(34,000)	(356,000)	(322,000)
Transfers out	(100,000)	(54,800)	(54,800)	-
Total other financing sources (uses)	<u>416,308</u>	<u>429,508</u>	<u>242,150</u>	<u>(187,358)</u>
Net change in fund balance	(3,139,760)	(1,127,268)	(858,237)	269,031
Fund balances at beginning of year	2,391,896	2,391,896	2,391,896	-
Prior year encumbrances appropriated	332,836	332,836	332,836	-
Fund balances at end of year	<u>\$ (415,028)</u>	<u>\$ 1,597,464</u>	<u>\$ 1,866,495</u>	<u>\$ 269,031</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2003

	Self Insurance
<u>Assets:</u>	
Cash and cash equivalents:	
In segregated accounts	\$ 698,672
	<hr/>
<u>Liabilities:</u>	
Claims payable	210,132
	<hr/>
<u>Net assets:</u>	
Unrestricted	488,540
Total liabilities and net assets	\$ 698,672
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	Self Insurance
<u>Operating revenues</u>	
Charges for services	<u>\$ 3,359,111</u>
<u>Operating expenses:</u>	
Purchased services	340,549
Claims	<u>2,361,056</u>
Total operating expenses	<u>2,701,605</u>
Operating income	<u>657,506</u>
<u>Non-operating revenues</u>	
Interest	<u>221</u>
Change in net assets	657,727
Net assets beginning of year	<u>(169,187)</u>
Net assets end of year	<u><u>\$ 488,540</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 3,359,111
Cash payments to suppliers for goods and services	(340,549)
Cash payments for claims	(2,497,907)
Net cash provided by operating activities	<u>520,655</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	221
Net cash provided by investing financing	<u>221</u>
Net increase in cash and cash equivalents	520,876
Cash and cash equivalents at beginning of year	177,796
Cash and cash equivalents at end of year	<u>\$ 698,672</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 657,506</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in liabilities:	
Claims payable	(136,851)
Net cash provided by operating activities	<u>\$ 520,655</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 9,510	\$ 83,946
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,145
Due to students	-	82,801
Total liabilities	-	\$ 83,946
<u>Net assets:</u>		
Held in trust for scholarships	\$ 9,510	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2003

	<u>Scholarships</u>
<u>Additions:</u>	
Gifts and donations	\$ 2,000
Miscellaneous	<u>500</u>
Total additions	<u>2,500</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>5,500</u>
Change in net assets	(3,000)
Net assets beginning of year	<u>12,510</u>
Net assets end of year	<u><u>\$ 9,510</u></u>

See accompanying notes to the basic financial statements.

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 141 non-certificated and 229 certificated full time teaching personnel, including nine administrators, who provide services to 3,162 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District had no component units at year end.

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Vocational Compact, which are defined as a jointly governed organization. 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 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States (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. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting polices.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

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

Proprietary Funds:

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

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust funds are private purpose trusts, which account 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 only agency fund accounts for student managed activities.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

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

Private purpose trust funds are reported using the economic resources measurement focus.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

Expenditures/Expenses

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

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

E. Budgetary Data

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

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 budget 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 2003. 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.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". The School District has segregated a portion of cash balances, reported as "Cash and cash equivalents in segregated accounts" which are used for claims expenses paid for by the self-insurance internal service fund. During the current fiscal year investments were limited to overnight repurchase agreements and STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

The School District invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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, 2003, 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

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund and food service special revenue fund are stated at cost, which is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories are recorded as expenditures when purchased on the fund financial statements.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside as reserves to be expended on the purchases of school buses. See Note 18 for additional information regarding restricted assets.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District has increased the capitalization threshold to five thousand dollars, as compared to one thousand dollars in the prior year. 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, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

K. 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 columns of the statement of net assets.

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, 2003

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

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, compensated absences, special termination benefits and contractually required pension contributions 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. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the spent outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Operating Revenues and Expenses

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

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, school bus purchases and for prepaids.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

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 assets.

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 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there is no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

B. Restatement of Fund Balance and Prior Period Adjustment

During the year, an error was discovered in the information used to determine the proper classification of the School District's 2001 Tax Anticipation Notes. It was determined that these notes should be recorded as a general long-term obligation of the School District as opposed to a fund liability as previously reported. With the implementation of GASB Statement No. 34 and Interpretation No. 6, it was determined that enterprise funds should be reclassified to special revenue funds and prepaids will now be reported at the fund financial level. The prior period adjustment and restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
<i>Fund Balances,</i>			
<i>June 30, 2002</i>	\$ 2,131,453	\$ (2,380,803)	\$ (249,350)
<i>Fund reclassification</i>	4,130	15,637	19,767
<i>Reclassification of notes payable</i>		2,545,000	2,545,000
<i>Reclassification of accrued interest payable</i>		53,859	53,859
<i>Interpretation No. 6</i>			
<i>Compensated absences</i>	<u>40,036</u>	<u>11,126</u>	<u>51,162</u>
<i>Adjusted Fund Balances,</i>			
<i>June 30, 2002</i>	<u>\$ 2,175,619</u>	<u>\$ 244,819</u>	2,420,438
 <i>GASB 34 Adjustments:</i>			
 <i>Capital assets</i>			19,715,823
<i>Long-term liabilities</i>			(12,199,982)
<i>Accrued interest payable</i>			(23,483)
<i>Employer pension obligations</i>			(211,826)
<i>Long-term (deferred) assets</i>			1,002,288
<i>Internal service fund balance</i>			<u>(169,187)</u>
<i>Governmental activities net assets, June 30, 2002</i>			<u>\$ 10,534,071</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<i>Net Change in Fund Balance</i>	
	<u>General</u>
<i>GAAP Basis</i>	\$ 169,753
<i>Revenue Accruals</i>	(815,922)
<i>Expenditure Accruals</i>	256,909
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(468,977)</u>
<i>Budget Basis</i>	<u><u>\$ (858,237)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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 moneys. Interim moneys are those moneys, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

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

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

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

A. Deposits:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled \$589,049 and the bank balances of the deposits totaled \$972,823. Of the bank balance, \$100,000 was covered by federal depository insurance. \$872,823 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

B. Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in repurchase agreements, which are Category 3 investments, had a carrying and fair value in the amount of \$455,000 at June 30, 2003.

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 \$86,005, of which \$21,888 was assigned from other School District funds.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statements No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Cash and Cash Equivalents/ <u>Deposits</u></i>	<i><u>Investments</u></i>
<i>GASB Statement No. 9</i>	\$ 4,487,021	\$ -
<i>Investments which are part of a cash management pool:</i>		
<i>Repurchase Agreement</i>	<i>(455,000)</i>	<i>455,000</i>
<i>STAR Ohio</i>	<i>(3,442,972)</i>	<i>3,442,972</i>
<i>GASB Statement No. 3</i>	<u>\$ 589,049</u>	<u>\$ 3,897,972</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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 year-end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$1,684,351 in the general fund, and \$97,193 in the Permanent Improvement capital projects fund and \$38,280 in the Bond Retirement debt service fund. These advances are recognized as revenue on the fund financial statements. On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2002 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 364,905,010	\$ 406,668,690
Commercial and Industrial	229,199,430	251,401,870
Public Utilities	5,010	18,590
<u>Tangible Personal Property</u>		
General	66,938,773	63,872,502
Public Utilities	17,267,280	18,599,920
Total	<u>\$ 678,315,503</u>	<u>\$ 740,561,572</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements, and interfund. 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, 2003

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
<i>Special revenue funds:</i>	
Food service	\$ 13,140
IDEA grant	32,954
Title I	54,343
Title V	278
Improving teacher quality	8,615
Miscellaneous federal grants	649
Total intergovernmental receivable	<u>\$ 109,979</u>

NOTE 8 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to fund reclassifications (See Note 3.B. for detail) and the increase of the capitalization threshold from \$1,000 to \$5,000. Also as part of the restatement, the School District contracted and received a comprehensive inventory and evaluation. As a result, it was found that a previously reported building had been sold and other errors and omissions had occurred. Below is a summary of the effect of these restatements, including the effect of depreciating all capital assets of the School District in accordance with GASB Statement No. 34:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2002</u>
Land	\$ 196,211	\$ 1,013,518	\$ 1,209,729
Land improvements	42,942	1,537,593	1,580,535
Buildings	47,982,190	(19,025,571)	28,956,619
Furniture and equipment	5,145,137	(2,576,411)	2,568,726
Vehicles	2,299,162	(496,972)	1,802,190
Less: Accumulated depreciation	(217,964)	(16,184,012)	(16,401,976)
Total	<u>\$ 55,447,678</u>	<u>\$ (35,731,855)</u>	<u>\$ 19,715,823</u>

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

<u>Governmental Activities</u>	<u>Restated Balance June 30, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
<i>Total capital assets, not being depreciated</i>	<u>1,209,729</u>	<u>-</u>	<u>-</u>	<u>1,209,729</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,580,535	-	-	1,580,535
Buildings	28,956,619	40,528		28,997,147
Furniture and equipment	2,568,726	742,144	(180,000)	3,130,870
Vehicles	1,802,190	-	-	1,802,190
<i>Total capital assets, being depreciated</i>	<u>34,908,070</u>	<u>782,672</u>	<u>(180,000)</u>	<u>35,510,742</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(1,044,711)	(71,301)	-	(1,116,012)
Buildings	(12,377,669)	(707,138)	-	(13,084,807)
Furniture and equipment	(1,639,324)	(261,907)	123,000	(1,778,231)
Vehicles	(1,340,272)	(95,693)	-	(1,435,965)
<i>Total accumulated depreciation</i>	<u>(16,401,976)</u>	<u>(1,136,039)</u>	<u>123,000</u>	<u>(17,415,015)</u>
<i>Total capital assets being depreciated, net</i>	<u>18,506,094</u>	<u>(353,367)</u>	<u>(57,000)</u>	<u>18,095,727</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 19,715,823</u>	<u>\$ (353,367)</u>	<u>\$ (57,000)</u>	<u>\$ 19,305,456</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 621,748
<i>Special</i>	18,634
<i>Vocational</i>	12,362
<i>Support services:</i>	
<i>Pupils</i>	666
<i>Instructional staff</i>	4,359
<i>Administration</i>	130,766
<i>Business</i>	12,766
<i>Operation and maintenance of plant</i>	144,946
<i>Pupil transportation</i>	95,293
<i>Extracurricular activities</i>	79,764
<i>Food service operations</i>	14,735
<i>Total depreciation expense</i>	<u>\$ 1,136,039</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2003 consisted of the following:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 710,000	\$ -
<i>Nonmajor governmental funds</i>	<u>-</u>	<u>710,000</u>
	<u>\$ 710,000</u>	<u>\$ 710,000</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2003, all interfund loans outstanding are anticipated to be repaid in fiscal year 2004.

NOTE 10 - INTERFUND TRANSFERS

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.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

Interfund transfers for the year ended June 30, 2003, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u> <u>General</u> <u>Fund</u>
Nonmajor Funds	\$ 54,800

NOTE 11 - RISK MANAGEMENT

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.

A. Property and Liability

The School District has established a Self Insurance fund (an internal service fund) to account for and finance its employee health benefits plan. Under this program, the Self Insurance fund provides coverage for up to an annual maximum of \$75,000 for each health benefits claim, capped at \$2,585,520 for all claims. A third-party administrator manages the plan. The School District purchases commercial insurance for claims in excess of coverage provided by the Plan. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in any of the past three fiscal years.

All funds of the School District participate in the program and make payments to the Self Insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premium for stop-loss coverage and medical conversion and administrative fees and services). The School District's independent third-party administrator has actuarially determined that \$210,132 is a good and sufficient provision for all un-matured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 2003.

The claims liability of \$210,132 reported in the fund at June 30, 2003 is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probably that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability for the current and prior fiscal years are as follows:

<u>Fiscal</u>	<u>Balance at</u> <u>beginning of year</u>	<u>Current</u> <u>year claims</u>	<u>Claim</u> <u>payments</u>	<u>Balance at</u> <u>end of year</u>
2002	\$ 236,270	2,252,305	2,141,592	\$ 346,983
2003	\$ 346,983	2,361,056	2,497,907	\$ 210,132

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

B. Workers' Compensation

The School District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group-rating program allows school district 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 Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 8.17% for pension obligations. For the fiscal year 2002, 5.46% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$302,776, \$206,420, and \$117,923, respectively; 38% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$186,258, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,631,210, \$1,385,491, and \$1,098,889, respectively; 83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$271,485, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2003 were \$485 made by the School District and \$9,481 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$125,478 during the 2003 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$2.8 billion at June 30, 2003, (latest information available). For the year ended June 30, 2003, the net health care costs paid by the STRS were \$352,301,000 and eligible benefit recipients totaled 108,294.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. For fiscal year 2002, 8.54% was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$275,810, which includes a surcharge of \$59,753 during the 2003 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003, (latest information available) were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the SERS's net assets available for payment of health care benefits was \$303.6 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into capitalized leases for the acquisition of copiers. These leases were retired during the current fiscal year and the School District entered into two new capitalized leases for the acquisition of a new phone system and new copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by these new leases have been capitalized as equipment in the amount of \$689,718 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments for leases in the current fiscal year totaled \$158,144. These payments include the retirement of copier leases in which the School District did not retain at maturity.

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

<i>Fiscal Year</i>	<i>Lease Payments</i>
2004	\$ 152,679
2005	152,679
2006	152,679
2007	152,679
2008	<u>38,894</u>
<i>Total minimum lease payments</i>	649,610
<i>Less: amount representing interest</i>	<u>(55,572)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 594,038</u>

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>	<i>Due within one year</i>
<u>Governmental Long-term Obligations</u>					
<i>Bonds</i>					
<i>1993 School Facilities Bonds, 4.70% - 7.55%</i>	\$ 7,020,000	\$ -	\$ (6,490,000)	\$ 530,000	\$ 530,000
<i>2003 School Facilities Refunding Bonds, 2.00-4.00%</i>	-	5,934,990	-	5,934,990	130,000
<i>Unamortized premium</i>	<u>-</u>	<u>681,479</u>	<u>(14,927)</u>	<u>666,552</u>	<u>75,784</u>
<i>Total bonds</i>	<u>7,020,000</u>	<u>6,616,469</u>	<u>(6,504,927)</u>	<u>7,131,542</u>	<u>735,784</u>
<i>Notes</i>					
<i>1996 Energy Conservation Notes, 4.75%</i>	1,190,000	-	(275,000)	915,000	290,000
<i>2001 Tax Anticipation Notes, 4.15%</i>	<u>2,545,000</u>	<u>-</u>	<u>(600,000)</u>	<u>1,945,000</u>	<u>620,000</u>
<i>Total notes</i>	<u>3,735,000</u>	<u>-</u>	<u>(875,000)</u>	<u>2,860,000</u>	<u>910,000</u>
<i>Other Long-term Obligations</i>					
<i>Long-term compensated absences</i>	1,382,518	183,313	(91,514)	1,474,317	165,855
<i>Capital lease payable</i>	<u>62,464</u>	<u>689,718</u>	<u>(158,144)</u>	<u>594,038</u>	<u>130,338</u>
<i>Total other long-term obligations</i>	<u>1,444,982</u>	<u>873,031</u>	<u>(249,658)</u>	<u>2,068,355</u>	<u>296,193</u>
<i>Total governmental long-term obligations</i>	<u>\$ 12,199,982</u>	<u>\$ 7,489,500</u>	<u>\$ (7,629,585)</u>	<u>\$ 12,059,897</u>	<u>\$ 1,941,977</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2003

In 1993, the School District issued School Facilities Bonds, in the amount of \$9,950,000 at an interest rate of 4.70% - 7.55%, to finance the improvement and furnishing of school facilities and their sites. The School Facilities Bonds will be repaid with voted property tax receipts of the Bond Retirement debt service fund, and will mature in December 2003. In 1996, the School District issued Energy Conservation Notes in the amount of \$2,600,000 at an interest rate of 4.75%. 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 December 2005.

In 2001, the School District issued \$2,545,000 in Tax Anticipation Notes at an interest rate of 4.15%, to pay the costs of remodeling various School District buildings. These notes are to be repaid from the Permanent Improvement capital projects fund and are scheduled to mature in December 2005.

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 in 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, a portion of the School Facilities Bonds are considered to defeased and the liability has been removed.

The School District advance refunded the School Facilities Bonds to reduce their total debt service payments over the next 13 years by \$15,245 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$579,073.

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2003 are as follows:

<i>Fiscal</i> <u>Year Ending</u>	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 660,000	\$ 190,995	\$ 910,000	\$ 104,427	\$ 1,570,000	\$ 295,422
2005	660,000	168,965	955,000	63,944	1,615,000	232,909
2006	600,000	156,065	995,000	21,606	1,595,000	177,671
2007	160,878	553,887	-	-	160,878	553,887
2008	114,112	580,653	-	-	114,112	580,653
2009-2013	2,785,000	531,705	-	-	2,785,000	531,705
2014-2018	1,485,000	76,615	-	-	1,485,000	76,615
<i>Total</i>	<u>\$ 6,464,990</u>	<u>\$ 2,258,885</u>	<u>\$ 2,860,000</u>	<u>\$ 189,977</u>	<u>\$ 9,324,990</u>	<u>\$ 2,448,862</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEONET are made from the general fund. During fiscal year 2003, the School District contributed \$32,771 to NEONET.

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.

NOTE 17 - CONTINGENCIES

A. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year-end.

B. 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.

C. School Funding:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio general Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

	<u>Textbook</u> <u>Reserve</u>	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>	<u>Total</u>
<i>Set-aside cash balance</i>			
<i>as of June 30, 2002</i>	\$ (441,038)	\$ -	\$ (441,038)
<i>Current year set-aside requirement</i>	430,281	430,281	860,562
<i>Qualifying disbursements</i>	<u>(544,770)</u>	<u>(646,001)</u>	<u>(1,190,771)</u>
<i>Total</i>	<u>\$ (555,527)</u>	<u>\$ (215,720)</u>	<u>\$ (771,247)</u>
<i>Balance carried forward to FY2004</i>	<u>\$ (555,527)</u>		

The School District also had unspent monies set-aside for the purchase of school buses in the amount of \$40,295.

NOTE 19- FUND DEFICITS

As of June 30, 2003, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
<i>Special revenue fund:</i>	
<i>Improving teacher quality</i>	\$ 9,291
<i>Capital projects fund:</i>	
<i>Permanent improvement</i>	270,898

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2003

NOTE 20 - SUBSEQUENT EVENT

Following the close of the fiscal year, the School District issued \$1,233,414 in Energy Conservation Notes to provide funding for the replacement of lighting, boilers, energy automation and miscellaneous building repairs. The notes have an interest rate of 3.79% and mature on June 30, 2018. The notes will be paid from the general fund.

NOTE 21 - COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.39, the original budgeted appropriations of the general fund exceeded the certified estimated resources in effect in the amount of \$415,028. To prevent future violations, the School District has implemented a corrective action plan, which includes additional review procedures that compare these budgeted amounts prior to formal approval by the Board of Education.

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Donation Program	Not Applicable	10.550		\$55,908		\$55,908
National School Lunch Program	049981 LL-P1 049981 LL-P4	10.555	\$95,922		\$95,922	
Total U.S. Department of Agriculture - Child Nutrition Cluster			95,922	55,908	95,922	55,908
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster: Special Education - Grants to States	049981-6B-SF-2002 049981-6B-SF-2003	84.027	15,316 241,666		31,988 235,615	
Total Special Education - Grants to States			256,982		267,603	
Special Education - Preschool Grants	049981-PGS1-2003-P	84.173	11,108		11,108	
Total Special Education Cluster			268,090		278,711	
Title I Grants to Local Educational Agencies	049981-C1-S1-2002 049981-C1-S1-2003	84.010	7,519 79,203		26,468 73,218	
Total Title I Grants to Local Educational Agencies			86,722		99,686	
Safe and Drug Free Schools and Communities - State Grants	049981-DR-S1-2002 049981-DR-S1-2003	84.186	12,669		708 12,636	
Total Safe and Drug Free Schools and Communities - State Grants			12,669		13,344	
Eisenhower Professional Development State Grants	049981-MS-S1-2001 049981-MS-S1-2002	84.281	299 626		990 7,052	
Total Eisenhower Professional Development State Grants			925		8,042	
Innovative Education Program Strategies	049981-C2-S1-2001 049981-C2-S1-2002 049981-C2-S1-2003	84.298	14,132 22,009		1,147 17,669 20,920	
Total Innovative Education Program Strategies			36,141		39,736	
Education Technology State Grants	049981-TJ-S1-2003	84.318	2,862		14,006	
Classroom Reduction Grant	049981-CR-S1-2002	84.340			8,334	
Assistive Technology Infusion Project Grant (ATIP)	049981-AT-S3-2002	84.352A	15,891		15,422	
English Language Acquisition Grants (Title III)	049981-T3-S1-2003	84.365	38,444		38,444	
Improving Teacher Quality State Grant (Title II-A)	049981-TR-S1-2003	84.367	61,475		66,599	
Total U.S. Department of Education			523,219		582,324	
Totals			\$619,141	\$55,908	\$678,246	\$55,908

The notes to the Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 17, 2004 wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34, and noted the District reclassified tax anticipation notes and restated its capital asset balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated May 17, 2004.

Internal Control Over Financial Reporting

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

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www.auditor.state.oh.us

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 17, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 17, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Copley-Fairlawn City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State of Ohio

May 17, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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**Auditor of State
Betty Montgomery**

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COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 24, 2004**