

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

KATHRYN SINES, TREASURER



Dave Yost • Auditor of State

Board of Education
Cuyahoga Falls City School District
431 Stow Ave
Cuyahoga Falls, Ohio 44221

We have reviewed the *Independent Accountants' Report* of the Cuyahoga Falls City School District, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cuyahoga Falls City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 21, 2011

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Cuyahoga Falls City School District
Summit County
431 Stow Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Cuyahoga Falls City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cuyahoga Falls City School 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 aggregate discretely presented component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund for the fiscal 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, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of the Cuyahoga Falls City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Cuyahoga Falls City School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the 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. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
October 26, 2011

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management's discussion and analysis of the Cuyahoga Falls City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$526,878 from \$9,251,967 to \$9,778,845. This represents a 5.69% increase from the net assets at June 30, 2010.
- General revenues accounted for \$43,330,143 in revenue or 80.22% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,685,735 or 19.78% of total revenues of \$54,015,878.
- The District had \$53,489,000 in expenses related to governmental activities; only \$10,685,735 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$43,330,143 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$45,911,422 in revenues and other financing sources and \$46,127,311 in expenditures and other financing uses. The general fund decreased \$215,889 from a restated balance of \$3,326,815 to \$3,110,926.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District reports one major fund, which is the general fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's 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 Governmental Activities include the District's programs and services, including instruction, pupil, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-15 of this report.

The government-wide financial statements include not only Cuyahoga Falls City School District itself (known as the primary government), but also two legally separate entities for which the District is financially accountable. Financial information for the component units, Schnee Learning Center (the "Center") and Cuyahoga Falls Schools Foundation (the "Foundation"), are reported separately from the financial information presented for the primary government itself. Separately issued financial statements can be obtained from the Treasurer of the Center at 431 Stow Avenue, Cuyahoga Falls, Ohio 44221-0396.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the general fund.

Governmental Funds

Most of the 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you 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 basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for self-insurance programs. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in one private-purpose trust fund. The District also acts in a trustee capacity as an agent for student managed activities. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-60 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 36,597,456	\$ 34,987,369
Capital assets, net	<u>9,276,840</u>	<u>9,669,885</u>
Total assets	<u>45,874,296</u>	<u>44,657,254</u>
<u>Liabilities</u>		
Current liabilities	29,377,892	28,162,142
Long-term liabilities	<u>6,717,559</u>	<u>7,243,145</u>
Total liabilities	<u>36,095,451</u>	<u>35,405,287</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,005,562	4,853,182
Restricted	1,819,007	1,420,690
Unrestricted	<u>2,954,276</u>	<u>2,978,095</u>
Total net assets	<u>\$ 9,778,845</u>	<u>\$ 9,251,967</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$9,778,845.

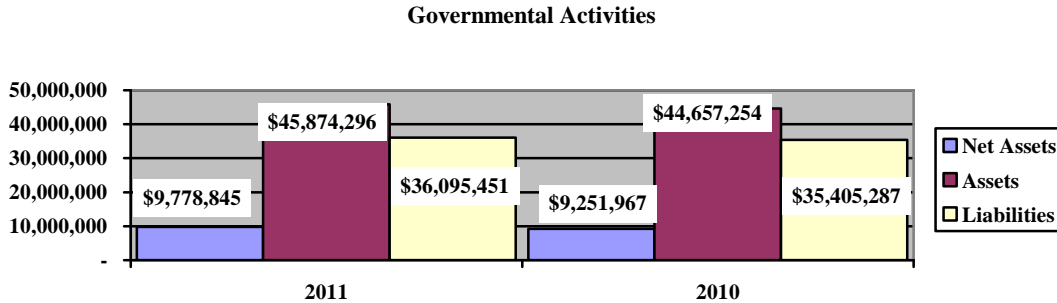
**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

At year-end, capital assets represented 20.22% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$5,005,562. These capital assets are used to provide services to the students and are not available for future spending. Although the 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. The increase in investment in capital assets net of related debt is due to the addition of capital assets during fiscal year 2011.

A portion of the District's net assets, \$1,819,007, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets balance is \$2,954,276.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2011 and 2010:



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,200,177	\$ 4,956,263
Operating grants and contributions	6,485,558	7,093,856
General revenues:		
Property taxes	26,279,802	25,577,124
Grants and entitlements	16,982,777	17,452,617
Investment earnings	9,405	22,365
Payment in lieu of taxes	36,420	38,498
Other	21,739	9,701
Total revenues	54,015,878	55,150,424

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 21,922,990	\$ 22,796,042
Special	5,423,597	6,209,061
Vocational	1,337,997	1,224,849
Other	6,009,329	4,189,827
Support services:		
Pupil	2,793,777	2,958,778
Instructional staff	1,174,606	1,152,241
Board of education	69,512	48,852
Administration	2,839,480	2,880,433
Fiscal	1,048,651	950,127
Business	389,963	391,970
Operations and maintenance	4,721,746	4,959,612
Pupil transportation	1,346,972	1,278,927
Central	329,871	461,837
Operations of non-instructional services:		
Other non-instructional services	1,193,473	1,018,871
Food service operations	1,536,178	1,479,468
Extracurricular activities	1,158,366	1,109,662
Interest and fiscal charges	<u>192,492</u>	<u>162,417</u>
Total expenses	<u>53,489,000</u>	<u>53,272,974</u>
Change in net assets	<u>526,878</u>	<u>1,877,450</u>
Net assets at beginning of year	<u>9,251,967</u>	<u>7,374,517</u>
Net assets at end of year	<u>\$ 9,778,845</u>	<u>\$ 9,251,967</u>

Governmental Activities

Net assets of the District's governmental activities increased \$526,878. Total governmental expenses of \$53,489,000 were offset by program revenues of \$10,685,735 and general revenues of \$43,330,143. Program revenues supported 19.98% of the total governmental expenses.

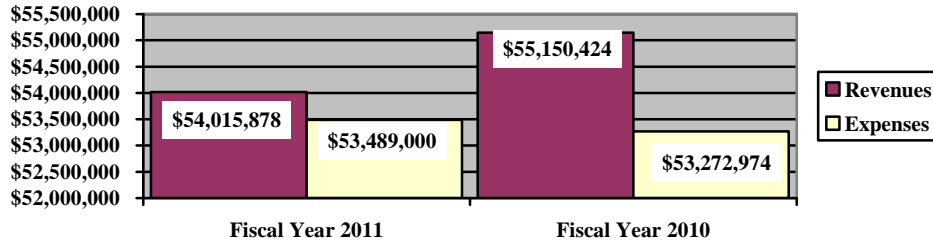
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.09% of the total governmental revenue. Real estate property is reappraised every six years.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 21,922,990	\$ 17,867,077	\$ 22,796,042	\$ 17,674,076
Special	5,423,597	3,852,969	6,209,061	3,955,355
Vocational	1,337,997	1,091,697	1,224,849	995,879
Other	6,009,329	5,409,804	4,189,827	4,068,911
Support services:				
Pupil	2,793,777	2,589,278	2,958,778	2,651,164
Instructional staff	1,174,606	952,819	1,152,241	926,942
Board of education	69,512	69,512	48,852	48,852
Administration	2,839,480	2,399,207	2,880,433	2,462,891
Fiscal	1,048,651	1,048,651	950,127	950,127
Business	389,963	389,963	391,970	391,970
Operations and maintenance	4,721,746	4,280,081	4,959,612	4,581,827
Pupil transportation	1,346,972	1,136,070	1,278,927	1,054,094
Central	329,871	326,610	461,837	461,837
Operations of non-instructional services:				
Other non-instructional services	1,193,473	334,536	1,018,871	72,272
Food service operations	1,536,178	855	1,479,468	(55,010)
Extracurricular activities	1,158,366	861,644	1,109,662	819,251
Interest and fiscal charges	<u>192,492</u>	<u>192,492</u>	<u>162,417</u>	<u>162,417</u>
Total expenses	<u>\$ 53,489,000</u>	<u>\$ 42,803,265</u>	<u>\$ 53,272,974</u>	<u>\$ 41,222,855</u>

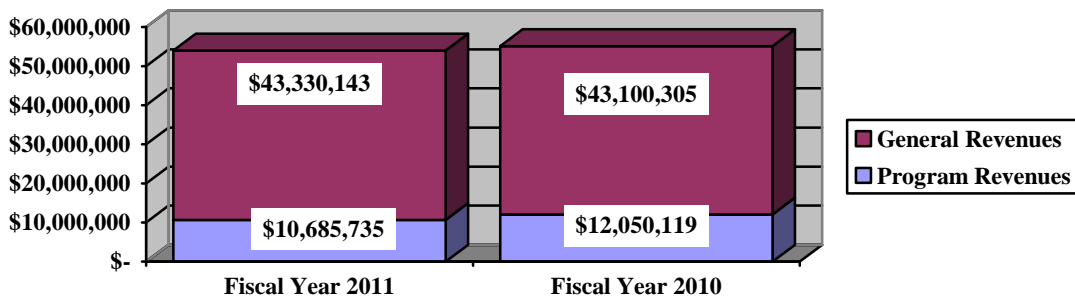
**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 81.34% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.02%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$4,368,633, which is lower than last year's balance of \$4,542,103. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	<u>Increase/ (Decrease)</u>
General	\$ 3,110,926	\$ 3,326,815	\$ (215,889)
Other Governmental	<u>1,257,707</u>	<u>1,215,288</u>	<u>42,419</u>
Total	<u>\$ 4,368,633</u>	<u>\$ 4,542,103</u>	<u>\$ (173,470)</u>

General Fund

During fiscal year 2011, the District's general fund balance decreased \$215,889 to a fund balance of \$3,110,926.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase\ Decrease	Percentage Change
<u>Revenues</u>				
Taxes	\$ 25,530,747	\$ 24,844,454	\$ 686,293	2.76 %
Tuition	2,263,145	3,065,309	(802,164)	(26.17) %
Earnings on investments	9,405	17,823	(8,418)	(47.23) %
Intergovernmental	17,469,926	17,655,464	(185,538)	(1.05) %
Other revenues	<u>591,744</u>	<u>708,393</u>	<u>(116,649)</u>	(16.47) %
Total	<u>\$ 45,864,967</u>	<u>\$ 46,291,443</u>	<u>\$ (426,476)</u>	(0.92) %
<u>Expenditures</u>				
Instruction	\$ 31,393,903	\$ 30,296,183	\$ 1,097,720	3.62 %
Support services	13,528,135	13,894,911	(366,776)	(2.64) %
Extracurricular activities	857,453	811,814	45,639	5.62 %
Non-instructional	177,189	197,867	(20,678)	(10.45) %
Facilities acquisition and construction	34,151	36,142	(1,991)	(5.51) %
Debt service	<u>110,116</u>	<u>110,116</u>	<u>-</u>	- %
Total	<u>\$ 46,100,947</u>	<u>\$ 45,347,033</u>	<u>\$ 753,914</u>	1.66 %

Revenues of the general fund decreased \$426,476 or 0.92%. The most significant decreases were in the areas of tuition and intergovernmental revenue. The decrease of \$802,164 in tuition is the result of a decrease in open enrollment tuition and a decrease in tuition from Schnee. The decrease of \$185,538 in intergovernmental revenue can mainly be attributed to a decrease of roughly \$110,000 in tangible personal property reimbursements receipts from the State. Tax revenue increased \$686,293 or 2.76%. This increase is the result of an increase in taxes available for advance from the County at fiscal year-end. All other amounts remained compared to 2010.

Expenditures of the general fund increased \$753,914 or 1.66%. The most significant increase was in the area of instructional expenditures which increased \$1,097,720 or 3.62%. The largest increase occurred in other instruction which is the result of an increase in preschool excess costs and community school foundation payments.

General Fund Budgeting Highlights

The 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 the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$44,845,000 were decreased to \$44,442,863 in the final budget. Actual revenues and other financing sources for fiscal year 2011 were \$44,442,863.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$47,878,420 were decreased to \$45,516,892 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$45,516,892.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$9,276,840 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,321,765	\$ 1,321,765
Land improvements	916,870	993,389
Building and improvements	6,111,572	6,275,860
Furniture and equipment	455,057	599,222
Vehicles	<u>471,576</u>	<u>479,649</u>
Total	<u>\$ 9,276,840</u>	<u>\$ 9,669,885</u>

The overall decrease in capital assets of \$393,045 is due to current year depreciation expense of \$742,780 exceeding capital outlays of \$349,735.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$4,174,002 in general obligation bonds, asbestos removal loans and capital leases outstanding. Of this total, \$557,586 is due within one year and \$3,616,416 is due in more than one year. The following table summarizes the bonds, loans, notes and capital leases outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
Governmental obligation bonds	\$ 4,010,000	\$ 4,415,000
Asbestos removal loan	39,542	65,906
Capital Leases	<u>124,460</u>	<u>225,405</u>
Total	<u>\$ 4,174,002</u>	<u>\$ 4,706,311</u>

At June 30, 2011, the District had voted debt margin was \$68,799,803 and an unvoted debt margin of \$805,331.

See Note 10 to the basic financial statements for detail on the District's debt administration.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Current Related Financial Activities

A challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. 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. At this time, the District is unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kathryn Sines, Treasurer, Cuyahoga Falls City School District, 431 Stow Avenue, Cuyahoga Falls, Ohio 44221.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government	Component Units	
	Governmental Activities	Cuyahoga Falls School Foundation	Schnee Learning Center
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 7,031,480	\$ 674,285	\$ 21,496
Receivables:			
Property taxes	28,547,027	-	-
Accounts.	27,569	-	-
Due from component unit	69,996	-	-
Intergovernmental	774,913	-	-
Prepayments	177	-	7,727
Materials and supplies inventory.	89,844	-	-
Unamortized bond issuance costs	56,450	-	-
Capital assets:			
Land	1,321,765	-	-
Depreciable capital assets, net.	7,955,075	-	171,868
Capital assets, net	<u>9,276,840</u>	<u>-</u>	<u>171,868</u>
Total assets.	<u>45,874,296</u>	<u>674,285</u>	<u>201,091</u>
Liabilities:			
Accounts payable.	195,736	-	3,915
Contracts payable.	7,817	-	-
Accrued wages and benefits	3,750,432	-	-
Pension obligation payable.	677,447	-	-
Intergovernmental payable	352,625	-	17,393
Unearned revenue	24,035,961	-	-
Accrued interest payable	14,226	-	-
Claims payable.	343,648	-	-
Due to primary government	-	-	69,996
Long-term liabilities:			
Due within one year.	879,609	-	-
Due in more than one year.	5,837,950	-	-
Total liabilities	<u>36,095,451</u>	<u>-</u>	<u>91,304</u>
Net Assets:			
Invested in capital assets, net of related debt.	5,005,562	-	171,868
Restricted for:			
Capital projects	490,886	-	-
Debt service.	336,233	-	-
Locally funded programs	14,315	-	-
Federally funded programs	595,860	-	-
Public school support	-	-	2,449
Student activities	165,711	-	-
Other purposes	216,002	-	12,632
Unrestricted (deficit)	<u>2,954,276</u>	<u>674,285</u>	<u>(77,162)</u>
Total net assets	<u>\$ 9,778,845</u>	<u>\$ 674,285</u>	<u>\$ 109,787</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for		Primary
		Services and Sales	Operating Grants and Contributions	
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 21,922,990	\$ 2,450,611	\$ 1,605,302	\$ (17,867,077)
Special	5,423,597	318,944	1,251,684	(3,852,969)
Vocational	1,337,997	21,652	224,648	(1,091,697)
Other	6,009,329	11,922	587,603	(5,409,804)
Support services:				
Pupil.	2,793,777	1,075	203,424	(2,589,278)
Instructional staff	1,174,606	11,218	210,569	(952,819)
Board of education	69,512	-	-	(69,512)
Administration.	2,839,480	3,427	436,846	(2,399,207)
Fiscal.	1,048,651	-	-	(1,048,651)
Business.	389,963	-	-	(389,963)
Operations and maintenance	4,721,746	401,905	39,760	(4,280,081)
Pupil transportation.	1,346,972	24,980	185,922	(1,136,070)
Central	329,871	3,261	-	(326,610)
Operation of non-instructional services:				
Other non-instructional services	1,193,473	403	858,534	(334,536)
Food service operations	1,536,178	664,444	870,879	(855)
Extracurricular activities.	1,158,366	286,335	10,387	(861,644)
Interest and fiscal charges	192,492	-	-	(192,492)
Total governmental activities	<u>53,489,000</u>	<u>4,200,177</u>	<u>6,485,558</u>	<u>(42,803,265)</u>
Component Units				
Cuyahoga Falls Schools Foundation	115,250	-	104,905	-
Schnee Learning Center	1,221,655	4,567	1,097,598	-
Total component units	<u>1,336,905</u>	<u>4,567</u>	<u>1,202,503</u>	<u>-</u>
Totals	<u>\$ 54,825,905</u>	<u>\$ 4,204,744</u>	<u>\$ 7,688,061</u>	<u>(42,803,265)</u>
General Revenues:				
Property taxes levied for:				
General purposes				25,726,528
Debt service.				553,274
Grants and entitlements not restricted				
to specific programs				16,982,777
Payment in lieu of taxes				36,420
Investment earnings				9,405
Miscellaneous				21,739
Total general revenues				<u>43,330,143</u>
Change in net assets				526,878
Net assets at beginning of year.				<u>9,251,967</u>
Net assets at end of year				<u>\$ 9,778,845</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 4,711,075	\$ 1,237,318	\$ 5,948,393
Receivables:			
Property taxes.	27,958,356	588,671	28,547,027
Accounts	25,379	2,190	27,569
Due from component unit	16,884	53,112	69,996
Intergovernmental.	155,605	619,308	774,913
Prepayments.	177	-	177
Materials and supplies inventory.	65,003	24,841	89,844
Total assets	<u>\$ 32,932,479</u>	<u>\$ 2,525,440</u>	<u>\$ 35,457,919</u>
Liabilities:			
Accounts payable	\$ 159,681	\$ 35,855	\$ 195,536
Contracts payable.	-	7,817	7,817
Accrued wages and benefits.	3,749,888	544	3,750,432
Compensated absences payable	236,346	-	236,346
Intergovernmental payable	327,132	25,493	352,625
Unearned revenue.	23,507,861	528,100	24,035,961
Deferred revenue	1,193,407	639,715	1,833,122
Pension obligation payable	647,238	30,209	677,447
Total liabilities.	<u>29,821,553</u>	<u>1,267,733</u>	<u>31,089,286</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	65,003	24,841	89,844
Prepays.	177	-	177
Unclaimed monies	1,369	-	1,369
Restricted:			
Debt service	-	330,052	330,052
Food service operations	-	232,163	232,163
Vocational education.	-	13,128	13,128
Other purposes.	-	14,315	14,315
Extracurricular.	-	165,711	165,711
Committed:			
Capital improvements	-	490,886	490,886
Other purposes.	-	732	732
Underground storage tank	11,000	-	11,000
Assigned:			
Student instruction	100	-	100
Student and staff support.	282,314	-	282,314
Extracurricular activities	450	-	450
Uniform school supplies	111,560	-	111,560
Adult education	6,089	-	6,089
Other purposes.	94,199	-	94,199
Unassigned (deficit)	2,538,665	(14,121)	2,524,544
Total fund balances	<u>3,110,926</u>	<u>1,257,707</u>	<u>4,368,633</u>
Total liabilities and fund balances	<u>\$ 32,932,479</u>	<u>\$ 2,525,440</u>	<u>\$ 35,457,919</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	4,368,633
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,276,840
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	1,066,757	
Accounts receivable		101,984	
Intergovernmental receivable		664,381	
Total		664,381	1,833,122
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 on the statement of net assets.			739,239
Unamortized bond issuance costs are not recognized in the funds.			56,450
Unamortized premiums on bond issuance are not recognized in the funds.			(187,779)
Unamortized amounts on refundings are not recognized in the funds.			90,503
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(14,226)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(4,010,000)	
Capital lease obligations		(124,460)	
Compensated absences		(2,209,935)	
Loans payable		(39,542)	
Total		(6,383,937)	(6,383,937)
Net assets of governmental activities		\$	9,778,845

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 25,530,747	\$ 546,567	\$ 26,077,314
Tuition.	2,263,145	-	2,263,145
Transportation fees.	24,980	-	24,980
Earnings on investments	9,405	356	9,761
Charges for services	-	677,422	677,422
Extracurricular.	171,536	271,527	443,063
Classroom materials and fees	154,931	-	154,931
Rental income	-	388,927	388,927
Contract services.	9,556	-	9,556
Other local revenues	230,741	53,531	284,272
Intergovernmental - intermediate	-	500	500
Intergovernmental - state	17,312,336	963,974	18,276,310
Intergovernmental - federal	157,590	4,360,740	4,518,330
Total revenues	<u>45,864,967</u>	<u>7,263,544</u>	<u>53,128,511</u>
Expenditures:			
Current:			
Instruction:			
Regular.	20,378,977	1,016,444	21,395,421
Special	4,374,073	996,639	5,370,712
Vocational	1,279,444	38,565	1,318,009
Other	5,361,409	615,111	5,976,520
Support services:			
Pupil	2,584,417	204,194	2,788,611
Instructional staff	941,591	219,211	1,160,802
Board of education	69,632	-	69,632
Administration	2,381,808	441,570	2,823,378
Fiscal	1,019,473	12,267	1,031,740
Business.	377,526	-	377,526
Operations and maintenance	4,641,040	232,663	4,873,703
Pupil transportation	1,210,385	89,250	1,299,635
Central	302,263	-	302,263
Operation of non-instructional services:			
Other non-instructional services	177,189	1,002,648	1,179,837
Food service operations.	-	1,518,034	1,518,034
Extracurricular activities	857,453	238,955	1,096,408
Facilities acquisition and construction.	34,151	-	34,151
Debt service:			
Principal retirement.	100,945	431,364	532,309
Interest and fiscal charges	9,171	190,574	199,745
Total expenditures	<u>46,100,947</u>	<u>7,247,489</u>	<u>53,348,436</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(235,980)</u>	<u>16,055</u>	<u>(219,925)</u>
Other financing sources (uses):			
Transfers in.	-	26,364	26,364
Transfers (out)	(26,364)	-	(26,364)
Insurance proceeds	46,455	-	46,455
Total other financing sources (uses)	<u>20,091</u>	<u>26,364</u>	<u>46,455</u>
Net change in fund balances	(215,889)	42,419	(173,470)
Fund balances at beginning of year (restated).	<u>3,326,815</u>	<u>1,215,288</u>	<u>4,542,103</u>
Fund balances at end of year.	<u>\$ 3,110,926</u>	<u>\$ 1,257,707</u>	<u>\$ 4,368,633</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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, 2011

Net change in fund balances - total governmental funds \$ (173,470)

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	349,735	
Current year depreciation		(742,780)	
Total			(393,045)

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

Property taxes		238,908	
Tuition		29,151	
Intergovernmental		634,372	
Total			902,431

Repayment of bonds, loans and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds		405,000	
Loans		26,364	
Capital leases		100,945	
Total			532,309

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable		1,749	
Amortization of bond issuance costs		(7,612)	
Amortization of bond premiums		25,319	
Amortization of deferred charges		(12,203)	
Total			7,253

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

14,746

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(363,346)

Change in net assets of governmental activities \$ 526,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 24,825,704	\$ 24,772,736	\$ 24,772,736	\$ -
Tuition	2,367,740	2,093,591	2,093,591	-
Transportation fees	20,324	24,733	24,733	-
Earnings on investments	15,243	9,898	9,898	-
Extracurricular	-	15,061	15,061	-
Other local revenues	10,162	21,274	21,274	-
Intergovernmental - state	17,454,207	17,312,336	17,312,336	-
Intergovernmental - federal	101,620	157,590	157,590	-
Total revenues	<u>44,795,000</u>	<u>44,407,219</u>	<u>44,407,219</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,208,019	19,980,006	19,980,006	-
Special	4,604,733	4,415,825	4,415,825	-
Vocational	1,162,549	1,251,367	1,251,367	-
Other	4,662,078	5,207,678	5,207,678	-
Support services:				
Pupil	2,667,415	2,566,464	2,566,464	-
Instructional staff	971,363	954,048	954,048	-
Board of education	67,851	71,622	71,622	-
Administration	3,242,511	2,368,464	2,368,464	-
Fiscal	1,213,876	1,018,404	1,018,404	-
Business	396,275	382,446	382,446	-
Operations and maintenance	5,062,086	4,711,543	4,711,543	-
Pupil transportation	1,185,458	1,216,788	1,216,788	-
Central	382,895	295,497	295,497	-
Other non-instructional services	162,599	176,203	176,203	-
Extracurricular activities	842,282	858,086	858,086	-
Facilities acquisition and construction	20,030	16,087	16,087	-
Total expenditures	<u>47,852,020</u>	<u>45,490,528</u>	<u>45,490,528</u>	<u>-</u>
Excess of expenditures over revenues	<u>(3,057,020)</u>	<u>(1,083,309)</u>	<u>(1,083,309)</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	50,000	35,644	35,644	-
Transfers (out)	(26,400)	(26,364)	(26,364)	-
Total other financing sources (uses)	<u>23,600</u>	<u>9,280</u>	<u>9,280</u>	<u>-</u>
Net change in fund balance	(3,033,420)	(1,074,029)	(1,074,029)	-
Fund balance at beginning of year (restated).	5,061,636	5,061,636	5,061,636	-
Prior year encumbrances appropriated	178,420	178,420	178,420	-
Fund balance at end of year	<u>\$ 2,206,636</u>	<u>\$ 4,166,027</u>	<u>\$ 4,166,027</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 1,083,087
Total assets	<u>1,083,087</u>
Liabilities:	
Current liabilities:	
Accounts payable	200
Claims payable	<u>343,648</u>
Total liabilities	<u>343,848</u>
Net assets:	
Unrestricted	<u>739,239</u>
Total net assets	<u>\$ 739,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 5,429,872
Total operating revenues	<u>5,429,872</u>
Operating expenses:	
Purchased services.	46,583
Claims	<u>5,746,635</u>
Total operating expenses.	<u>5,793,218</u>
Operating loss/change in net assets	<u>(363,346)</u>
Net assets at beginning of year	<u>1,102,585</u>
Net assets at end of year.	<u>\$ 739,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 5,426,481
Cash payments for contractual services	(46,883)
Cash payments for claims	<u>(6,078,181)</u>
 Net cash used in operating activities	 <u>(698,583)</u>
 Net decrease in cash and cash equivalents	 (698,583)
 Cash and cash equivalents at beginning of year	 <u>1,781,670</u>
Cash and cash equivalents at end of year	<u>\$ 1,083,087</u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (363,346)
Changes in assets and liabilities:	
(Decrease) in accounts payable	(300)
(Decrease) in unearned revenue	(3,391)
(Decrease) in claims payable	<u>(331,546)</u>
 Net cash used in operating activities.	 <u>\$ (698,583)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 26,946	\$ 90,221
Receivables:		
Accounts	-	50
Total assets	26,946	\$ 90,271
Liabilities:		
Accounts payable	-	\$ 5,288
Due to students	-	84,983
Total liabilities	-	\$ 90,271
Net assets:		
Held in trust for scholarships	26,946	
Total net assets	\$ 26,946	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	25
Gifts and contributions		525
Total additions		<u>550</u>
 Deductions:		
Scholarships awarded		<u>2,500</u>
 Change in net assets		(1,950)
Net assets at beginning of year		<u>28,896</u>
Net assets at end of year	\$	<u>26,946</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Cuyahoga Falls City School District (the "District") is located in the greater metropolitan Akron area of Summit County in northeastern Ohio. The first official body designated as the Cuyahoga Falls Board of Education was formed on April 18, 1853. Both the township of Cuyahoga Falls and Cuyahoga Falls School District were formalized at that time with a school enrollment of 482.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 6 elementary schools, 2 middle schools, and 1 comprehensive high school. The District employs 246 non-certified and 363 certified full-time and part-time employees to provide services to 4,721 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, community services and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has two component units. The basic financial statements of the reporting entity include only those of the District (the primary government) and the following discretely presented component units.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCRETELY PRESENTED COMPONENT UNITS

Schnee Learning Center (Center)

The Center is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is a conversion school with an objective to deliver a comprehensive educational program of high quality, tied to State and national standards for at-risk students, which can be delivered to students in grade 9 through grade 12. The Center is governed by a Board of Trustees. The Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Center, the Center's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Center, the Center is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Center at 431 Stow Avenue, Cuyahoga Falls, Ohio 44221-0396.

Cuyahoga Falls Schools Foundation (Foundation)

The Foundation is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Foundation was set up to provide scholarships to eligible students of the District, provide grants to faculty members of the District and to provide the District with resources to complete special projects. The Foundation is governed by a Board of Trustees. Due to the Foundation's significant relationship with the District, the Foundation is reflected as a component unit of the District. Financial information can be obtained from the Treasurer of the Foundation at 431 Stow Avenue, Cuyahoga Falls, Ohio 44221-0396.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the Schnee Learning Center and the Cuyahoga Falls Schools Foundation component units can be found in Notes 18 and 19, respectively.

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet was established as a jointly governed organization among sixteen school districts and the Summit County Educational Service Center that was formed July 1, 1995. NEOnet was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to improve administrative and instructional functions of member districts. NEOnet has since been restructured and organized as a council of governments (COG) under Ohio Revised Code 3301.075 and Chapter 167. The new COG is called the Metropolitan Regional Service Council. The Council serves several program functions for the nineteen school district members, such as NEOnet ITC functions and as a collaborative purchasing agent. The Council is self supporting and conducts its fiscal services in house with a licensed treasurer.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Council employs an Executive Director who works cooperatively with a seven-member Board of Directors consisting of four superintendents, the ESC superintendent, one member of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located in the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$191,521 to NEOnet.

Six District Educational Compact (Compact)

The Six District Educational Compact is a jointly governed organization consisting of six participating school districts, to provide for the vocational and special education needs of their students. The six-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 six school 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, which offers the class. The committee exercises total control over the operation of the Compact, including budgeting, appropriating, contracting and designating management. All financial inquiries should be addressed to the Treasurer of the Hudson City School District, 2386 Hudson-Aurora Road, Hudson, Ohio 44236.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a Council of Governments comprised of one hundred fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011, the District paid \$1,513 to the Council for annual membership and other fees. Financial information can be obtained by contacting David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's natural gas program. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made at the end of the fiscal year.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District also participates in the Council's electric purchase program. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to the participant to Energy Acquisition Corp.

The District also participates in the Council's life insurance program which was implemented during fiscal year 2011. This program allows school districts to purchase life insurance at reduced rates. Metropolitan Life Insurance (MetLife) Company provides coverage for the program.

PUBLIC ENTITY RISK POOL

Summit Regional Health Care Consortium (the "SRHCC")

The Summit Regional Health Care Consortium (the "SRHCC") is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Council of Government (the "SRHCC") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The SRHCC is a shared risk pool as defined by Governmental Accounting Standards Board (GASB) Statement No. 10 and amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of certain medical, hospitalization, dental, prescription drug, vision, life and disability income benefits for member employees in accordance with the bylaws. The District was a member of SRHCC for only life insurance benefits. As of September 1, 2010, the District withdrew it's membership with the SRHCC.

The Governing Body of the SRHCC is an Assembly composed of one representative from each participating district. All representatives to the SRHCC shall serve without compensation. The Treasurer serves as the representative for the District. As of June 30, 2011, there were five full members and one provisional member of the SRHCC. Copley-Fairlawn City School District serves as fiscal agent for the SRHCC. Financial information is available from the Copley-Fairlawn City School District (fiscal agent), 3797 Ridgewood Road, Copley, Ohio 44321-1695.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 following is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. During fiscal year 2011, the District had an agency fund that accounts for student managed activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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.

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 this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, interest, tuition, grants and student fees.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as unearned/deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2011 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.
5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The original budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to investments in repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. 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 shares price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2011 amounted to \$9,405 which includes \$3,623 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Inventory

On governmental fund financial statements and government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result 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 in the fund financial statements.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The 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 life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental type activities columns of the statement of net assets. The District had no interfund loans at June 30, 2011.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination (severance). Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

The District reports pension health care benefits in accordance with the provisions of GASB Statement No. 47, “Accounting for Termination Benefits”. Health care benefits are accrued as a liability once the District becomes obligated for the termination benefits. The liability is calculated based on estimated monthly health care costs incurred.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

M. Estimates

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

O. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. 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 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for the other grant fund (a nonmajor governmental fund).

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

Q. Operating Revenues and Expenses

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

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type occurred during the fiscal year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 3,022,006	\$ 1,520,097	\$ 4,542,103
Fund reclassifications:			
Public school support fund	187,645	(187,645)	-
Adult education fund	6,089	(6,089)	-
Underground storage tank fund	11,000	(11,000)	-
Uniform school supplies fund	91,140	(91,140)	-
Rotary fund	8,935	(8,935)	-
Total fund reclassifications	304,809	(304,809)	-
Restated fund balance at July 1, 2010	\$ 3,326,815	\$ 1,215,288	\$ 4,542,103

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 5,166,397
Funds budgeted elsewhere	(104,761)
Restated balance at July 1, 2010	\$ 5,061,636

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Auxillary services	\$ 9,215
IDEA Part-B	4,906

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment 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 with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$3,150,383 exclusive of \$1,720,000 in repurchase agreements included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, all of the District's bank balance of \$3,206,760 was covered by the FDIC.

B. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreements	\$ 1,720,000	\$ 1,720,000
STAR Ohio	<u>2,278,264</u>	<u>2,278,264</u>
Total	<u>\$ 3,998,264</u>	<u>\$ 3,998,264</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Service, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no policy dealing with credit risk beyond the requirements of State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$1,720,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,720,000	43.02
STAR Ohio	<u>2,278,264</u>	<u>56.98</u>
Total	<u>\$ 3,998,264</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,150,383
Investments	<u>3,998,264</u>
Total	<u>\$ 7,148,647</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,031,480
Private-purpose trust funds	26,946
Agency funds	<u>90,221</u>
Total	<u>\$ 7,148,647</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ <u>26,364</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Summit County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$3,404,145 in the general fund and \$77,279 in the bond retirement debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$2,646,134 in the general fund and \$53,000 in the bond retirement debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 788,897,570	99.51	\$ 802,071,580	99.60
Public utility personal	3,150,560	0.40	3,258,990	0.40
Tangible personal property	<u>698,285</u>	<u>0.09</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 792,746,415</u>	<u>100.00</u>	<u>\$ 805,330,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$68.98		\$69.08	
Bond retirement	0.80		0.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), amounts due from component unit and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 28,547,027
Accounts	27,569
Due from component unit	69,996
Intergovernmental	<u>774,913</u>
Total	<u>\$ 29,419,505</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,321,765	\$ -	\$ -	\$ 1,321,765
Total capital assets, not being depreciated	<u>1,321,765</u>	<u>-</u>	<u>-</u>	<u>1,321,765</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,711,534	5,075	-	2,716,609
Buildings and improvements	23,044,350	227,925	-	23,272,275
Furniture and equipment	1,837,590	27,485	-	1,865,075
Vehicles	<u>1,710,190</u>	<u>89,250</u>	<u>-</u>	<u>1,799,440</u>
Total capital assets, being depreciated	<u>29,303,664</u>	<u>349,735</u>	<u>-</u>	<u>29,653,399</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,718,145)	(81,594)	-	(1,799,739)
Buildings and improvements	(16,768,490)	(392,213)	-	(17,160,703)
Furniture and equipment	(1,238,368)	(171,650)	-	(1,410,018)
Vehicles	<u>(1,230,541)</u>	<u>(97,323)</u>	<u>-</u>	<u>(1,327,864)</u>
Total accumulated depreciation	<u>(20,955,544)</u>	<u>(742,780)</u>	<u>-</u>	<u>(21,698,324)</u>
Governmental activities capital assets, net	<u>\$ 9,669,885</u>	<u>\$ (393,045)</u>	<u>\$ -</u>	<u>\$ 9,276,840</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 390,520
Special	1,751
Vocational	926
<u>Support services:</u>	
Pupil	973
Instructional staff	5,820
Administration	2,851
Business	3,880
Operations and maintenance	107,037
Pupil transportation	125,972
Central	29,022
<u>Operation of non-instructional services:</u>	
Other non-instructional services	10,316
Food service operations	10,019
Extracurricular activities	53,693
Total depreciation expense	<u>\$ 742,780</u>

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$484,995. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 for copiers was \$379,913, leaving a current book value of \$105,082. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$100,945 paid by the general fund.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 110,116
2013	<u>18,354</u>
Total minimum lease payments	128,470
Less: amount representing interest	<u>(4,010)</u>
Total	<u>\$ 124,460</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:						
1999 school improvement bonds	4.25%	\$ 1,280,000	\$ -	\$ (405,000)	\$ 875,000	\$ 425,000
2009 refunding bonds	3.00 - 5.00%	<u>3,135,000</u>	<u>-</u>	<u>-</u>	<u>3,135,000</u>	<u>-</u>
Total General Obligation Bonds		<u>4,415,000</u>	<u>-</u>	<u>(405,000)</u>	<u>4,010,000</u>	<u>425,000</u>
Long-term Loans:						
1993 asbestos removal loan	0.00%	<u>65,906</u>	<u>-</u>	<u>(26,364)</u>	<u>39,542</u>	<u>26,363</u>
Total Loans Payable		<u>65,906</u>	<u>-</u>	<u>(26,364)</u>	<u>39,542</u>	<u>26,363</u>
Other Long-term Obligations:						
Capital lease obligation		225,405	-	(100,945)	124,460	106,223
Compensated absences		<u>2,426,442</u>	<u>557,911</u>	<u>(538,072)</u>	<u>2,446,281</u>	<u>322,023</u>
Total Other Long-term Obligations		<u>2,651,847</u>	<u>557,911</u>	<u>(639,017)</u>	<u>2,570,741</u>	<u>428,246</u>
Total		<u>\$ 7,132,753</u>	<u>\$ 557,911</u>	<u>\$ (1,070,381)</u>	6,620,283	<u>\$ 879,609</u>
				Less: Unamortized deferred charges	(90,503)	
				Add: Unamortized premium on bond issue	<u>187,779</u>	
				Total on statement of net assets	<u>\$ 6,717,559</u>	

General Obligation Bonds: In 1999, the District issued School Improvement bonds, in the amount of \$8,000,000, to finance the improvement and furnishing of school facilities and their sites. The School Improvement bonds will be repaid with voted property tax receipts of the bond retirement debt service fund (a nonmajor governmental fund). A portion of the 1999 School Improvement bonds were refunded during fiscal year 2010 in the amount of \$3,185,000. The remaining balance of the 1999 School Improvement bonds matures December 1, 2012.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2009 Refunding General Obligation Bonds: On October 29, 2009, the District issued general obligation bonds (Series 2009 Refunding Bonds) to advance refund the callable portion of the Series 1999 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded Series 1999 current interest bonds at June 30, 2011, is \$3,185,000.

The refunding issue is comprised of current interest bonds, par value \$3,135,000. The interest rates on the current interest bonds range from 3.00-5.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2018. Payments of principal and interest are recorded as expenditures of the debt service fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$110,841. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

All bonds and loans are direct obligations of the District for which its full faith and credit are pledged for repayment.

Long-Term Loan: In 1993, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan, scheduled to mature in April, 2013, is interest free as long as the District continues to remain current on repayment. Principal payments will be made from general property tax operating receipts being transferred into the bond retirement debt service fund (a nonmajor governmental fund).

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 9 for details.

Compensated Absences: Compensated absences included severance, vacation and health care benefits for retirees. Compensated absences will be paid from the fund from which the employee's salaries are paid. For the District, these are primarily the general fund, the food service fund (a nonmajor governmental fund), the Title VI-B fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

During fiscal year 2005, the District offered an early retirement incentive (ERI) of which 24 employees participated. The ERI was to reimburse the employees for health care costs over a five year period. The reported liability, in accordance with the provisions of GASB Statement No. 47, "Accounting for Termination Benefits", was paid off during fiscal year 2011.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a summary of the future debt service requirements to maturity for the general obligation bonds and loans:

Fiscal Year Ending June 30,	1999 School Improvement Bonds			2009 Refunding Bonds			Asbestos Removal Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 425,000	\$ 36,106	\$ 461,106	\$ -	\$ 131,850	\$ 131,850	\$ 26,363	\$ -	\$ 26,363
2013	450,000	12,263	462,263	-	131,850	131,850	13,179	-	13,179
2014	-	-	-	480,000	124,650	604,650	-	-	-
2015	-	-	-	490,000	107,650	597,650	-	-	-
2016	-	-	-	510,000	87,650	597,650	-	-	-
2017 - 2019	-	-	-	1,655,000	123,725	1,778,725	-	-	-
Total	\$ 875,000	\$ 48,369	\$ 923,369	\$ 3,135,000	\$ 707,375	\$ 3,842,375	\$ 39,542	\$ -	\$ 39,542

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$68,799,803 (including available funds of \$330,052) and an unvoted debt margin of \$805,331.

NOTE 11 - RISK MANAGEMENT

A. General Risk

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through a commercial carrier. Indiana Insurance settled claims have not exceeded this commercial coverage in any of the past three years. The District purchases liability, property and fleet insurance through Ohio School Council.

There has been no significant reduction of coverage from the prior years. Limits of coverage and deductibles are as follows:

	Coverage	Deductible
Property Insurance	\$ 123,933,303	\$ 1,000
Liability Insurance	1,000,000/2,000,000	0/0
Fleet Insurance	1,000,000	250 Comprehensive 500 Collision

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Health Insurance

The claims liability of \$343,648 reported in the basic financial statements at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claim.

A summary of changes in self-insurance claims for the years ended June 30, 2011 and June 30, 2010:

Fiscal Year	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2011	\$ 675,194	\$ 5,746,635	\$ (6,078,181)	\$ 343,648
2010	780,009	5,807,532	(5,912,347)	675,194

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$731,626, \$780,915 and \$550,855, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,904,311, \$2,898,511 and \$2,818,297, respectively; 83.08 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$148,552 made by the District and \$106,109 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$180,723, \$117,229 and \$370,265, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$47,082, \$46,439 and \$45,450, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$223,409, \$222,962 and \$216,792, respectively; 83.08 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,074,029)
Net adjustment for revenue accruals	720,158
Net adjustment for expenditure accruals	(21,795)
Net adjustment for other sources/uses	10,811
Funds budgeted elsewhere	64,662
Adjustment for encumbrances	84,304
GAAP basis	\$ (215,889)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund and the public school support fund.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2011.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	736,797	736,797
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(754,081)	(736,797)
Excess qualified expenditures from prior years	(3,704)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (20,988)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 65,672
Other governmental	<u>208,027</u>
 Total	 <u>\$ 273,699</u>

NOTE 18 - SCHNEE LEARNING CENTER

The Schnee Learning Center (the “Center”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cuyahoga Falls City School District (the “Sponsor”) addressing the needs of students in grades 9-12. The Center, which is part of the State’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center, as part of the Sponsor District, is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Center’s objective is to deliver a comprehensive educational program that is tied to state and national standards for at-risk students in grade 9 through grade 12. It is to be operated under a contract with the Sponsor to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive and standards-based educational program. The Center uses the services of the Sponsor to assist with overall operations.

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On June 28, 2010, the Center renewed the contract with the Sponsor for an additional five years which will expire on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Center began accepting students on August 3, 2005 and served 161 students during fiscal year 2011.

The Center operates under the direction of a six-member Board of Directors which consists of the Cuyahoga Falls City School District superintendent who is a non-voting member and serves as President, an Ivy Park Association Representative, three elected officials, and a parent of a Center student. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Treasurer of Cuyahoga Falls City School District is the Chief Financial Officer of the Center.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

The Sponsor, on a purchased services basis with the Center, provides planning, instructional, administrative and technical services. Personnel providing services to the Center on behalf of the Sponsor on the purchased services basis are employees of the Summit County ESC. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2010 through June 30, 2011 can be found in Note 18.D.

A. Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Center does not apply FASB guidance issued after November 30, 1989. The Center's significant accounting policies are described below.

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

Measurement Focus and Basis of Accounting - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Center's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

Cash - Cash received by the Center is maintained in a demand deposit account.

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of \$5,000. The Center does not have 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.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment consists of computers and equipment which are depreciated over three to ten years. Software is depreciated over 36 to 44 months.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The amount restricted for other purposes includes amounts restricted for uniform school supplies.

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

Prepayments - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

Intergovernmental Revenue - The Center currently participates in the State Foundation Program, the American Recovery and Reinvestment Act (ARRA) grants, the Title VI-B grant, Title I grant, Title II-A, Title II-D and the EMIS grant. Revenues from these programs are recorded as operating grants and contributions in the accompanying financial statements in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the Center on a reimbursement basis.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

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

B. Cash and Cash Equivalents

At June 30, 2011, the carrying amount of the Center's deposits was \$21,496. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2011, all of the Center's bank balance of \$21,496 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

C. Capital Assets

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
<i>Capital assets being depreciated:</i>				
Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Software	-	188,278	-	188,278
Total capital assets being depreciated	6,125	188,278	-	194,403
<i>Less: accumulated depreciation</i>				
Equipment	(1,361)	(2,042)	-	(3,403)
Software	-	(19,132)	-	(19,132)
Total accumulated depreciation	(1,361)	(21,174)	-	(22,535)
Net capital assets	\$ 4,764	\$ 167,104	\$ -	\$ 171,868

D. Purchased Services

For the fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$ 1,036,862
Travel and meetings	65
Miscellaneous	136,396
Total	\$ 1,173,323

E. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. The Center had a commercial insurance package with Indiana Insurance.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

F. Contingencies

Grants - The Center received financial assistance from state agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Center anticipates no adjustments to State funding for fiscal year 2012, as a result of reviews which have yet to be completed.

G. Related Party Transactions

For the fiscal year ended June 30, 2011, the Center had expenses of \$354,690 to their sponsor for reimbursement of expenses. There was an amount of \$69,996 due to their sponsor at June 30, 2011. This amount is displayed as “due to primary government” on the basic financial statements.

H. Change in Accounting Principles

For fiscal year 2011, the Center has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the center.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Center.

NOTE 19 - CUYAHOGA FALLS SCHOOLS FOUNDATION

The Cuyahoga Falls Schools Foundation (the “Foundation”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide scholarships to eligible students of the District, provide grants to faculty members of the District and to provide the District with resources to complete special projects. The Foundation is governed by a Board of Trustees. The economic resources received by the Foundation are entirely or almost entirely for the direct benefit of the government, its component units, or its constituents (staff and student of Cuyahoga Falls City School District). The Foundation is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Foundation was incorporated within the State of Ohio on November 21, 1983. It is a charitable organization exempt from federal taxation under Section 501 (C) (3) of the Internal Revenue Code. Its general purpose is to provide academic support and recognition to outstanding students and staff.

SUPPLEMENTARY DATA

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 94,350	\$ 94,350
(D)(E) National School Lunch Program - Food Donation	10.555	2011	87,136	87,136
(C)(D) National School Lunch Program	10.555	2011	688,336	688,336
Total National School Lunch Program			<u>775,472</u>	<u>775,472</u>
<i>Total Child Nutrition Cluster</i>			<u>869,822</u>	<u>869,822</u>
Total U.S. Department of Agriculture			<u>869,822</u>	<u>869,822</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2011	826,611	826,611
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(56,980)	-
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	189,615	189,615
Total ARRA Title I Grants to Local Educational Agencies, Recovery Act			<u>132,635</u>	<u>189,615</u>
<i>Total Title I Cluster</i>			<u>959,246</u>	<u>1,016,226</u>
<i>Special Education Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	1,175,364	1,175,364
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2010	(43,541)	-
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	142,357	142,357
Total ARRA Special Education_Grants to States, Recovery Act			<u>98,816</u>	<u>142,357</u>
(G) Special Education_Preschool Grants	84.173	2011	23,658	23,658
Total Special Education Cluster			<u>1,297,838</u>	<u>1,341,379</u>
Education Technology State Grants	84.318	2011	2,754	2,754
English Language Acquisition Grants	84.365	2011	25,978	25,978
Improving Teacher Quality State Grants	84.367	2011	188,866	188,866
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	964,542	964,542
PASSED THROUGH THE HUDSON CITY SCHOOLS				
Career and Technical Education -- Basic Grants to States	84.048	2011	51,693	38,565
Total U.S. Department of Education			<u>3,490,917</u>	<u>3,578,310</u>
Total Federal Financial Assistance			<u>\$ 4,360,739</u>	<u>\$ 4,448,132</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011
- (B) This schedule was prepared on the cash basis of accounting
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	\$ 56,980	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		\$ 56,980
ARRA Special Education_Grants to States, Recovery Act	84.391	2010	43,541	
ARRA Special Education_Grants to States, Recovery Act	84.391	2011		43,541



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

Cuyahoga Falls City School District
Summit County
431 Stow Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Education:

We have audited the financial statements of the governmental activities, aggregate discretely present component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Cuyahoga Falls City School District's basic financial statements and have issued our report thereon dated October 26, 2011. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cuyahoga Falls City School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Cuyahoga Falls City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Cuyahoga Falls City School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Cuyahoga Falls City School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
Cuyahoga Falls City School District

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Cuyahoga Falls City School District's management in a separate letter date October 26, 2011.

We intend this report solely for the information and use of the management and Board of Education of the Cuyahoga Falls City School District, federal awarding agencies and pass-through entities, and others within the Cuyahoga Falls City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 26, 2011



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**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required By OMB Circular A-133**

Cuyahoga Falls City School District
Summit County
431 Stow Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Education:

Compliance

We have audited the compliance of the Cuyahoga Falls City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Cuyahoga Falls City School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Cuyahoga Falls City School District's major federal programs. The Cuyahoga Falls City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Cuyahoga Falls City School District's compliance based on our audit.

The Cuyahoga Falls City School District's basic financial statements include the operations of Schnee Learning Center, which received \$149,678 in federal awards which is not included in the Cuyahoga Falls City School District's Schedule of Receipts and Expenditures of Federal Awards for the fiscal year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of Schnee Learning Center because the component unit expended less than \$500,000 of federal awards for the fiscal year ended June 30, 2011 and thus it was not subject to OMB Circular A-133 audit requirements.

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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Cuyahoga Falls City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Cuyahoga Falls City School District's compliance with those requirements.

In our opinion, the Cuyahoga Falls City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Board of Education
Cuyahoga Falls City School District

Internal Control Over Compliance

The Cuyahoga Falls City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Cuyahoga Falls City School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Cuyahoga Falls City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Cuyahoga Falls City School District, federal awarding agencies and pass-through entities, and others within the Cuyahoga Falls City School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
October 26, 2011

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Cluster: Title I Grants to Local Educational Agencies (CFDA # 84.010) and ARRA Title I Grants to Local Educational Agencies, Recovery Act (CFDA # 84.389); and ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Cuyahoga Falls City School District
Summit County
431 Stow Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Cuyahoga Falls City School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 5, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
October 26, 2011

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Dave Yost • Auditor of State

CUYAHOGA FALLS 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
JANUARY 3, 2012