



**Auditor of State
Betty Montgomery**

**Cuyahoga Falls City School District
Summit County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2005**

Local Government Services Section

Cuyahoga Falls City School District
Summit County

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**Auditor of State
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Board of Education
Cuyahoga Falls City School District
431 Stow Avenue
Cuyahoga Falls, Ohio 44221

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Cuyahoga Falls City School District, Summit County, Ohio and issued a report dated March 23, 2005. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit of \$4,714,000 as of June 30, 2005.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2005 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

BETTY MONTGOMERY
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

April 8, 2005

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**Auditor of State
Betty Montgomery**

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Cuyahoga Falls City School District for the fiscal year ending June 30, 2005. The Cuyahoga Falls City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Cuyahoga Falls City School District for the fiscal years ended June 30, 2002, 2003 and 2004 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

Betty Montgomery
Auditor of State

March 23, 2005

CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 THROUGH 2004 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2005 FORECASTED
GENERAL FUND

	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Forecasted
Revenues				
General Property Tax (Real Estate)	\$16,275,000	\$17,719,000	\$19,460,000	\$18,387,000
Tangible Personal Property Tax	2,941,000	2,563,000	2,400,000	2,528,000
Unrestricted Grants-in-Aid	12,520,000	12,238,000	12,165,000	12,332,000
Restricted Grants-in-Aid	92,000	325,000	198,000	221,000
Property Tax Allocation	2,170,000	2,381,000	2,612,000	2,644,000
All Other Revenues	1,073,000	1,505,000	2,011,000	2,122,000
<i>Total Revenues</i>	<u>35,071,000</u>	<u>36,731,000</u>	<u>38,846,000</u>	<u>38,234,000</u>
Other Financing Sources				
Proceeds from the Sale of Notes	0	1,000,000	4,250,000	5,600,000
Capital Lease Proceeds	0	0	775,000	0
Advances In	125,000	0	0	0
<i>Total Other Financing Sources</i>	<u>125,000</u>	<u>1,000,000</u>	<u>5,025,000</u>	<u>5,600,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>35,196,000</u>	<u>37,731,000</u>	<u>43,871,000</u>	<u>43,834,000</u>
Expenditures				
Personal Services	21,768,000	22,605,000	24,362,000	25,524,000
Employees' Retirement/Insurance Benefits	5,385,000	8,393,000	7,588,000	8,783,000
Purchased Services	3,655,000	2,063,000	4,489,000	5,620,000
Supplies and Materials	867,000	2,250,000	934,000	935,000
Capital Outlay	238,000	507,000	937,000	464,000
Debt Service:				
Principal - Tax Anticipation Notes	610,000	1,000,000	4,000,000	5,850,000
Principal - Capital Leases	0	83,000	113,000	257,000
Principal - Loans	326,000	414,000	472,000	114,000
Interest	108,000	88,000	93,000	112,000
Other Objects	839,000	792,000	1,115,000	789,000
<i>Total Expenditures</i>	<u>33,796,000</u>	<u>38,195,000</u>	<u>44,103,000</u>	<u>48,448,000</u>
Other Financing Uses				
Transfers Out	2,013,000	74,000	0	0
<i>Total Expenditures and Other Financing Uses</i>	<u>35,809,000</u>	<u>38,269,000</u>	<u>44,103,000</u>	<u>48,448,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(613,000)	(538,000)	(232,000)	(4,614,000)
Cash Balance July 1	1,830,000	1,217,000	679,000	447,000
Cash Balance (Deficit) June 30	<u>1,217,000</u>	<u>679,000</u>	<u>447,000</u>	<u>(4,167,000)</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	267,000	224,000	220,000	237,000
Reserves for:				
Budget Stabilization	190,000	190,000	190,000	0
Capital Improvements	0	27,000	0	310,000
Bus Purchases	0	0	8,000	0
Total Encumbrances and Reserves of Fund Balance	<u>457,000</u>	<u>441,000</u>	<u>418,000</u>	<u>547,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$760,000</u>	<u>\$238,000</u>	<u>\$29,000</u>	<u>(\$4,714,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Note 1 - The School District

The Cuyahoga Falls City School District (School District) is located in Summit County and encompasses all of the City of Cuyahoga Falls and the Village of Silver Lake. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. 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 School District operates 11 public schools including one high school, 3 middle school and 7 elementary schools. The School District is staffed by 225 non-certified and 421 certificated personnel to provide services to 5,135 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Cuyahoga Falls City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 23, 2005, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the disadvantaged pupil impact aid fund (DPIA) and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

B. Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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

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

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Budget – A budget of estimated cash receipts and disbursements is submitted to the Summit County Fiscal Officer, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Cuyahoga Falls City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of real property, public utility real and personal property and tangible personal property taxes. General property tax revenue includes real estate taxes and public utility property taxes. Tangible personal property tax is applied to property used in business (except for public utilities). Property taxes are collected for, and distributed to, the school districts in the County by the Summit County Fiscal Officer and Treasurer. The School District may request advances from the Summit County Fiscal Officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent advances are received prior to June 30, 2005 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “property tax allocation”.

The property tax revenues for the School District’s general fund are generated from several levies. The levies for the general fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$4.90
Continuing Operating	1976	n/a	31.80
Continuing Operating	1983	n/a	6.76
Continuing Operating	1992	n/a	3.00
Operating	2000	2006	9.97
Operating	2002	2007	4.75
Total Tax Rate			\$61.18

The School District also has a levy for bond retirement totaling \$.82 per \$1,000 of assessed valuation. The School District’s total rate is \$62.00 per \$1,000 of assessed value.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property tax revenues as in the year in which the levy was approved. For all voted levies except emergency levies, increases to revenues are restricted to amounts generated from new construction. Emergency levies are intended to generate a set revenue amount annually; the revenue generated by emergency levies is not affected by changes in property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. The effective residential and agricultural rate is \$28.49 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$33.59 per \$1,000 of assessed valuation for the collection year 2005.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the calendar year are recorded as revenue in the next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection. Property tax revenues increased in fiscal years 2003 and 2004 due to the collections of the 4.75 mill levy which was approved in November 2002.

General Property Tax (Real Estate) - The general property tax revenue estimate is based upon actual receipts and information provided by the Summit County Fiscal Officer. The anticipated decrease of \$1,073,000 results from the effect of an advance against fiscal year 2004 property taxes received in fiscal year 2003 and an advance against fiscal year 2005 received in fiscal year 2004. The increase in real estate tax after the adjustment for advances is primarily due to new construction.

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Real Estate Taxes Per Forecast	\$16,275,000	\$17,719,000	\$19,460,000	\$18,387,000	(\$1,073,000)
<u>Advance against Fiscal Year 2004</u>					
Property Taxes received in Fiscal Year 2003.	0	(310,000)	310,000	0	(310,000)
<u>Advance against Fiscal Year 2005</u>					
Property Taxes received in Fiscal Year 2004.	0	0	(785,000)	785,000	1,570,000
Fiscal Year Property Tax Revenue	<u>\$16,275,000</u>	<u>\$17,409,000</u>	<u>\$18,985,000</u>	<u>\$19,172,000</u>	<u>\$187,000</u>

Tangible Personal Property Tax - Tangible personal property tax revenues are based upon information provided by the Summit County Fiscal Officer. The \$128,000 increase is attributed to an increase in assessed valuations.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State will phase out the reimbursement by 10 percent each year. The reimbursement is included in the tangible personal property tax revenues.

B. Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of average daily membership (ADM) times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature) less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level for fiscal year 2002 was set by State legislature at \$4,490 and \$4,949 for 2003. In 2003, State law set the base cost per pupil for fiscal year 2004 at \$5,058 and \$5,169 for fiscal year 2005.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Formula Aid	\$10,713,000	\$10,582,000	\$9,985,000	\$10,374,000	\$389,000
Categorical Funding	1,279,000	1,185,000	1,261,000	1,417,000	156,000
Transportation	417,000	495,000	538,000	511,000	(27,000)
Reappraisal Guarantee	0	0	265,000	0	(265,000)
Foundation Adjustments	0	(138,000)	6,000	(80,000)	(86,000)
Total Foundation	12,409,000	12,124,000	12,055,000	12,222,000	167,000
Utility Deregulation	111,000	114,000	110,000	110,000	0
Total Unrestricted Grants-in-Aid	<u>\$12,520,000</u>	<u>\$12,238,000</u>	<u>\$12,165,000</u>	<u>\$12,332,000</u>	<u>\$167,000</u>

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Formula aid increased for fiscal year 2005 due to an increase in ADM and an increase in per pupil funding amounts. This increase is offset by an increase in the recognized valuation. In prior years, the increase in the per pupil amounts were offset by decreases in ADM.

The reappraisal guarantee safeguards the School District from decreases in total State aid due to an increase in local valuations that result from a reappraisal or update of property values. This is a one year guarantee.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in February and August.

C. Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech and DPIA monies. For fiscal year 2005, the School District anticipates \$5,000 in bus purchase allowance monies, \$172,000 in career tech monies and \$44,000 in DPIA monies. A \$23,000 increase is anticipated from the prior fiscal year due primarily to the School District receiving more career tech monies from the State.

D. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Property tax allocation revenue, based on information provided by the Summit County Fiscal Officer, is anticipated to increase \$32,000 over the prior fiscal year. This increase is due to new construction and an increase in valuations.

E. All Other Revenues

A comparison of all other revenue for the last three fiscal years and the forecast period is presented below:

Revenue Sources	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Tuition	\$318,000	\$813,000	\$1,559,000	\$1,596,000	\$37,000
Transportation	14,000	21,000	23,000	23,000	0
Interest on Investments	109,000	55,000	43,000	39,000	(4,000)
Rentals	198,000	271,000	175,000	172,000	(3,000)
Other Revenue	291,000	197,000	153,000	65,000	(88,000)
CAFS Reimbursement	0	117,000	28,000	200,000	172,000
Sale of Assets	0	0	0	1,000	1,000
Payment in Lieu of Taxes	143,000	31,000	30,000	26,000	(4,000)
Totals	\$1,073,000	\$1,505,000	\$2,011,000	\$2,122,000	\$111,000

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

The School District receives tuition from other school districts whose students attend the Cuyahoga Falls City School District, as well as open enrollment. The \$37,000 increase is the result of the School District collecting delinquent tuition in the form of excess costs from prior years.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation going to the general fund.

Medicaid reimbursements through the Community Alternative Fund systems (CAFS) is projected to increase as a result of the School District receiving some fiscal year 2004 reimbursements in the current fiscal year.

F. Other Financing Sources

During fiscal year 2005, notes were issued in anticipation of the collection of taxes for cash flow purposes as follows:

Type of Debt	Issued	Interest Rate	Date Issued	Date of Maturity
Tax Anticipation Note	\$1,800,000	1.85%	July 1, 2004	October 31, 2004
Tax Anticipation Note	1,800,000	2.26	December 17, 2004	April 30, 2005
Tax Anticipation Note	2,000,000	2.81	February 2, 2005	June 28, 2005
Total Tax Anticipation Notes	<u>\$5,600,000</u>			

During fiscal year 2004, notes were issued in anticipation of the collection of taxes for cash flow purposes as follows:

Type of Debt	Issued	Interest Rate	Date Issued	Date of Maturity
Tax Anticipation Note	\$2,000,000	2.19%	July 1, 2003	August 31, 2003
Tax Anticipation Note	250,000	2.57	September 24, 2003	September 24, 2004
Tax Anticipation Note	2,000,000	2.14	November 21, 2003	February 27, 2004
Total Tax Anticipation Notes	<u>\$4,250,000</u>			

During fiscal year 2003, the School District issued a \$1,000,000 tax anticipation note with an interest rate of 1.99 percent. The note matured on April 30, 2003.

During fiscal year 2004, the School District entered into lease agreements as follows:

Capital Leases	Principal Amount	Interest Rate	Date of Final Payment
Musical Instruments	\$328,000	4.28%	September, 2008
Boiler	225,000	4.49	October, 2010
Fitness Equipment	222,000	2.94	March, 2007
Total Capital Leases	<u>\$775,000</u>		

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels as of the date of the forecast are anticipated to remain the same for the rest of the forecast period.

Certified (teacher) and classified staff salaries are based on negotiated contracts that includes base and step increases and educational incentives. The certified contract covers the period August 27, 2003 to August 26, 2006, the custodial classified contract covers the period August 28, 2003 through August 27, 2006 and the contract for the remaining classified staff covers the period January 1, 2004 through June 30, 2007. These contracts provide for a 3.1 percent increase in the base salary each year as well as step increases ranging from 1.3 percent to 5.26 percent depending on years of experience and position.

Supplemental salaries are forecast to decrease due to the School District having less supplemental positions filled during fiscal year 2005 than in fiscal year 2004.

The School District offers severance pay upon retirement to its certified and classified employees with ten years of service with the School District. Payments for both certified and classified staff are 25 percent of their unused sick leave days up to a maximum of 49 days and one-tenth of the remaining unused accumulated sick days in excess of 196 days, paid at their current daily rate. Severance costs are anticipated to increase due to the retirement of 14 employees during the forecast period compared with 6 employees during fiscal year 2004.

The School District offers an attendance bonus in its contracts. The bonus is paid twice each fiscal year depending on each union contract. The bonus is anticipated to increase during fiscal year 2005 due to more employees qualifying for this benefit.

Presented below is a comparison of salaries and wages for the last three fiscal years and the forecast period.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Certified Salaries	\$16,236,000	\$16,739,000	\$17,626,000	\$18,393,000	\$767,000
Classified Salaries	4,045,000	4,352,000	4,950,000	5,184,000	234,000
Substitute Salaries	720,000	698,000	942,000	928,000	(14,000)
Supplemental Contracts	361,000	408,000	449,000	399,000	(50,000)
Severance	339,000	350,000	186,000	397,000	211,000
Attendance Bonus	53,000	51,000	196,000	211,000	15,000
Compensation of Board Members	14,000	7,000	13,000	12,000	(1,000)
Totals	<u>\$21,768,000</u>	<u>\$22,605,000</u>	<u>\$24,362,000</u>	<u>\$25,524,000</u>	<u>\$1,162,000</u>

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employer's contribution rate of fourteen percent of salaries for STRS and SERS members. The payments are based on an estimate of the salaries and wages for the fiscal year submitted to the pension systems in the first quarter of each fiscal year. The payments are deducted over the next calendar year from the semi-monthly State foundation settlements. Adjustments resulting from variances between estimated and actual salaries and wages are prorated over the next calendar year. In addition to the employer's retirement contributions, the School District pays the employee's retirement contribution for the superintendent, 22 certified administrators, the treasurer, and 8 classified administrators.

Workers' compensation is forecast to increase. Workers' compensation is based on the School District's assigned rate and the actual salaries and wages paid in the previous calendar year. The increase is due to an increase in the assigned rate and the calendar year wages, which are offset by a 20 percent rebate of the premium. In fiscal years 2002 and 2003, the rebate was 50 percent and 20 percent, respectively. These rebates were partially offset by increases in the assigned rate.

Health care costs are based on the estimated claims and administrative charges for the School District's self-insured health care program. All funds, including the general fund are charged for the amount of claims actually paid. An employee's claims are charged to the same fund that pays the employee's salary. The self-insured health care program includes medical/surgical, prescription drug and dental care. Health care costs are anticipated to increase 19 percent for fiscal year 2005 compared to the prior fiscal year.

Life insurance premiums are based on the coverage terms of the existing contracts, the anticipated number of employees participating in the program and the monthly premiums. Life insurance costs are forecast to remain consistent with the prior fiscal year.

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

Presented below is a comparison of the last three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Employer's Retirement	\$3,207,000	\$3,146,000	\$3,244,000	\$3,575,000	\$331,000
Health and Life Insurance	2,011,000	4,942,000	3,925,000	4,672,000	747,000
Workers' Compensation	14,000	54,000	108,000	141,000	33,000
Medicare	113,000	219,000	256,000	341,000	85,000
Other	40,000	32,000	55,000	54,000	(1,000)
Totals	<u>\$5,385,000</u>	<u>\$8,393,000</u>	<u>\$7,588,000</u>	<u>\$8,783,000</u>	<u>\$1,195,000</u>

Cuyahoga Falls City School District
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C. Purchased Services

Presented below are the purchased services expenditures for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Professional and Technical Services	\$411,000	\$302,000	\$509,000	\$514,000	\$5,000
Property Services	1,215,000	(458,000)	1,388,000	1,681,000	293,000
Communication Costs	145,000	122,000	102,000	128,000	26,000
Utility Services	798,000	809,000	837,000	860,000	23,000
Trade Services	26,000	16,000	4,000	1,000	(3,000)
Tuition Payments	954,000	1,090,000	1,487,000	2,352,000	865,000
Pupil Transportation	69,000	36,000	41,000	44,000	3,000
Other Purchased Services	37,000	146,000	121,000	40,000	(81,000)
Totals	<u>\$3,655,000</u>	<u>\$2,063,000</u>	<u>\$4,489,000</u>	<u>\$5,620,000</u>	<u>\$1,131,000</u>

Property services increased due to the School District holding several bills that should have been paid during fiscal year 2004 and paying them during fiscal year 2005. Tuition paid to other school districts is anticipated to increase due to open enrollment, special education and a larger number of students enrolling in community schools compared with the prior fiscal year.

D. Supplies and Materials

Presented below are the supplies and materials expenditures for the prior fiscal year and the forecast period:

	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$355,000	\$354,000	(\$1,000)
Operations, Maintenance and Repair	320,000	353,000	33,000
Textbooks	259,000	228,000	(31,000)
Totals	<u>\$934,000</u>	<u>\$935,000</u>	<u>\$1,000</u>

E. Capital Outlay

The acquisition or construction of property, plant and equipment for general governmental services is recorded as an expenditure. Depreciation is not recorded for these general capital assets, as the purpose of the financial statements is to report the expenditure of resources, not costs.

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	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Equipment - New	\$54,000	\$160,000	\$296,000	\$162,000	(\$134,000)
Improvements	0	0	152,000	0	(152,000)
School Buses	0	59,000	0	127,000	127,000
Vehicles - Replacement	7,000	38,000	22,000	29,000	7,000
Other	2,000	0	359,000	43,000	(316,000)
Equipment - Replacement	175,000	250,000	108,000	103,000	(5,000)
Totals	\$238,000	\$507,000	\$937,000	\$464,000	(\$473,000)

The School District implemented cost-cutting procedures with the intention of only making essential purchases.

F. Debt Service

The outstanding balances and principal to be retired for general fund supported debt consists of the following:

Debt Obligation	Balance as of June 30, 2004	Issued	Retired	Balance as of June 30, 2005	Fiscal Year 2005 Interest
Tax Anticipation Notes	\$250,000	\$5,600,000	(\$5,850,000)	\$0	\$57,000
Leases:					
Phone System	479,000	0	(88,000)	391,000	18,000
Musical Instruments	283,000	0	(62,000)	221,000	11,000
Boiler	211,000	0	(29,000)	182,000	9,000
Fitness Equipment	222,000	0	(78,000)	144,000	0
Total Leases	1,195,000	0	(257,000)	938,000	38,000
Loans					
Asbestos	224,000	0	(26,000)	198,000	0
School Facilities	444,000	0	(88,000)	356,000	17,000
	668,000	0	(114,000)	554,000	17,000
Total General Fund Debt Obligations	\$2,113,000	\$5,600,000	(\$6,221,000)	\$1,492,000	\$112,000

G. Other Objects

Other object expenditures consist of dues and fees, general liability insurance and judgments.

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Dues and Fees	\$539,000	\$322,000	\$368,000	\$398,000	\$30,000
Auditor and Treasurer Fees	284,000	271,000	263,000	275,000	12,000
Election Expenses	0	1,000	8,000	22,000	14,000
Other Miscellaneous	16,000	198,000	476,000	94,000	(382,000)
Totals	\$839,000	\$792,000	\$1,115,000	\$789,000	(\$326,000)

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The School District anticipates a decrease in other objects primarily due to the School District charging the purchase of the fitness equipment as other expenditures during fiscal year 2004. This expenditure will not recur during fiscal year 2005.

H. Operating Transfers and Advances Out

During fiscal years 2002 and 2003 the School District transferred \$2,013,000 and \$74,000 respectively into the self insurance fund. The School District expects to make no transfers or advances from the general fund during fiscal year 2005.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on the budgetary basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for the fiscal year ended June 30, 2004 were \$220,000 and are forecasted at \$237,000 for June 30, 2005.

Note 9 - Reservations of Fund Balance

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

A. Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish a reserve for budget stabilization. The monies on hand in the School District's budget reserve will be used to reduce the anticipated deficit in fiscal year 2005.

B. Textbooks and Instructional Materials

The set aside requirement for fiscal year 2005 is \$761,000. There was a carryover of \$773,000 in excess qualifying expenditures from prior fiscal years. The School District anticipates \$276,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve for textbooks and instructional materials is forecasted.

C. Capital Acquisition and Improvements

The set aside amount for fiscal year 2005 is \$761,000. The School District anticipates \$451,000 in qualifying expenditures. Therefore, a reserve of \$310,000 is anticipated.

Cuyahoga Falls City School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

D. Bus Purchases

At June 30, 2004, the School District had \$8,000 in unspent bus monies. The School District received \$5,000 in a bus purchase allowance during fiscal year 2004. The School District anticipates purchasing two new buses in fiscal year 2005 at an estimated cost of \$127,000.

E. Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2004, the School District had no unspent DPIA monies. The School District anticipates receiving \$44,000 in restricted DPIA monies during fiscal year 2005 and anticipates spending \$44,000 during fiscal year 2005. Therefore, no reserve is forecast for DPIA monies.

Note 10 - Levies

The School District has placed a 7.9 mill five year operating levy on the May 3, 2005 ballot. The levy will generate approximately \$6,200,000 in revenues, annually, with collections beginning in fiscal year 2006. In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November, 1995	Operating	9.97 mills	5 Years	Passed
November, 1996	Permanent Improvement	3.00 mills	5 Years	Failed
February, 1997	Permanent Improvement	3.00 mills	5 Years	Failed
May, 1997	Permanent Improvement	3.00 mills	5 Years	Failed
November, 1998	Operating	3.00 mills	5 Years	Passed
November, 1998	Bond Issue	\$8,000,000	5 Years	Passed
November, 2000	Operating	9.97 mills	5 Years	Passed
May, 2002	Operating	4.75 mills	5 Years	Failed
November, 2002	Operating	4.75 mills	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - State School Funding Decision

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 decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



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**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
APRIL 8, 2005**