

Mary Taylor, CPA
Auditor of State

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

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 major fund, and the aggregate component unit and remaining fund information of Cuyahoga Falls City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 major fund, and the aggregate component unit and remaining fund information of Cuyahoga Falls City School District, Summit County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

January 28, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$4,138,055 from \$2,207,226 to \$6,345,281. This represents a 187.48% increase from the net assets at June 30, 2007.
- General revenues accounted for \$42,382,677 in revenue or 78.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,349,863 or 21.12% of total revenues of \$53,732,540.
- The District had \$49,594,485 in expenses related to governmental activities; only \$11,349,863 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 \$42,382,677 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$47,635,608 in revenues and other financing sources and \$47,404,461 in expenditures and other financing uses. The general fund increased \$231,147 from \$1,378,728 to \$1,609,875.

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 2008?" 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, 2008
(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 and Cuyahoga Falls Schools Foundation, are reported separately from the financial information presented for the primary government itself.

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.

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 two agency funds. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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 27-57 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, 2008 and June 30, 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 37,031,658	\$ 34,446,029
Capital assets, net	<u>9,691,445</u>	<u>8,337,711</u>
Total assets	<u>46,723,103</u>	<u>42,783,740</u>
<u>Liabilities</u>		
Current liabilities	31,354,487	29,985,693
Long-term liabilities	<u>9,023,335</u>	<u>10,590,821</u>
Total liabilities	<u>40,377,822</u>	<u>40,576,514</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,737,314	2,220,712
Restricted	1,232,247	1,235,188
Unrestricted (deficit)	<u>1,375,720</u>	<u>(1,248,674)</u>
Total net assets	<u>\$ 6,345,281</u>	<u>\$ 2,207,226</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$6,345,281.

At year-end, capital assets represented 20.74% 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, 2008, were \$3,737,314. 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 2008.

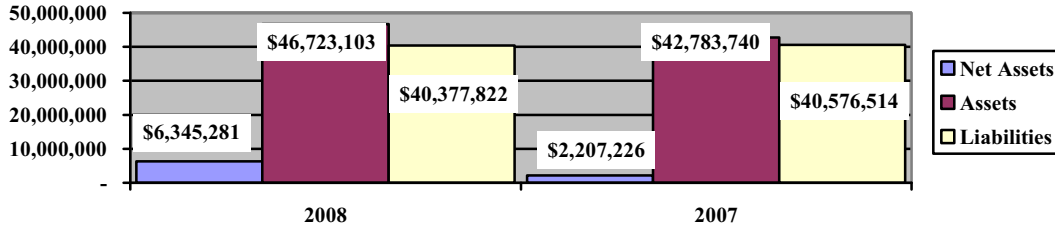
A portion of the District's net assets, \$1,232,247, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets balance is \$1,375,720.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The table below illustrates the District's assets, liabilities and net assets at June 30, 2008 and 2007:

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 5,386,130	\$ 5,360,275
Operating grants and contributions	5,955,034	5,450,947
Capital grants and contributions	8,699	26,744
General revenues:		
Property taxes	26,334,963	29,390,443
Grants and entitlements	15,435,633	14,892,425
Investment earnings	491,289	467,000
Payment in lieu of taxes	26,167	26,870
Other	94,625	24,842
Total revenues	<u>53,732,540</u>	<u>55,639,546</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 20,972,123	\$ 20,340,257
Special	5,048,106	5,424,589
Vocational	1,094,918	980,201
Other	4,484,190	4,028,072
Support services:		
Pupil	2,665,592	2,305,408
Instructional staff	1,123,122	983,614
Board of education	84,189	96,350
Administration	2,885,382	3,307,258
Fiscal	863,124	873,522
Business	395,803	372,618
Operations and maintenance	4,624,586	4,598,143
Pupil transportation	1,217,933	1,167,701
Central	291,078	318,598
Operations of non-instructional services:		
Non-instructional services	233,603	49,029
Food service operations	1,406,797	1,527,206
Extracurricular activities	1,026,108	1,004,668
Intergovernmental pass through	820,045	988,708
Interest and fiscal charges	<u>357,786</u>	<u>401,985</u>
Total expenses	<u>49,594,485</u>	<u>48,767,927</u>
Change in net assets	<u>4,138,055</u>	<u>6,871,619</u>
Net assets (deficit) at beginning of year	<u>2,207,226</u>	<u>(4,664,393)</u>
Net assets at end of year	<u>\$ 6,345,281</u>	<u>\$ 2,207,226</u>

Governmental Activities

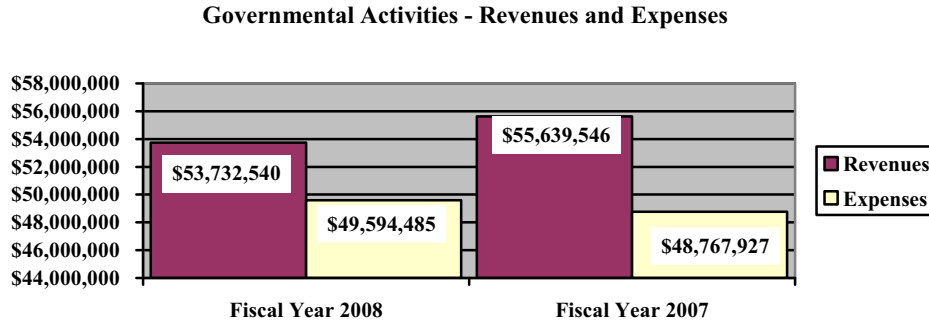
Net assets of the District's governmental activities increased \$4,138,055. Total governmental expenses of \$49,594,485 were offset by program revenues of \$11,349,863 and general revenues of \$42,382,677. Program revenues supported 22.89% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 77.74% 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, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.



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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 20,972,123	\$ 16,282,542	\$ 20,340,257	\$ 16,149,974
Special	5,048,106	2,767,282	5,424,589	2,889,058
Vocational	1,094,918	861,164	980,201	765,669
Other	4,484,190	4,484,190	4,028,072	4,025,522
Support services:				
Pupil	2,665,592	2,347,974	2,305,408	2,121,760
Instructional staff	1,123,122	1,033,231	983,614	911,169
Board of education	84,189	84,189	96,350	95,721
Administration	2,885,382	2,733,935	3,307,258	3,154,761
Fiscal	863,124	863,124	873,522	873,522
Business	395,803	395,803	372,618	372,618
Operations and maintenance	4,624,586	4,345,195	4,598,143	3,987,829
Pupil transportation	1,217,933	1,034,133	1,167,701	965,409
Central	291,078	288,108	318,598	315,298
Operations of non-instructional services:				
Non-instructional services	233,603	174,685	49,029	5,923
Food service operations	1,406,797	(102,092)	1,527,206	115,716
Extracurricular activities	1,026,108	803,364	1,004,668	702,234
Intergovernmental pass through	820,045	(509,991)	988,708	75,793
Interest and fiscal charges	357,786	357,786	401,985	401,985
Total expenses	<u>\$ 49,594,485</u>	<u>\$ 38,244,622</u>	<u>\$ 48,767,927</u>	<u>\$ 37,929,961</u>

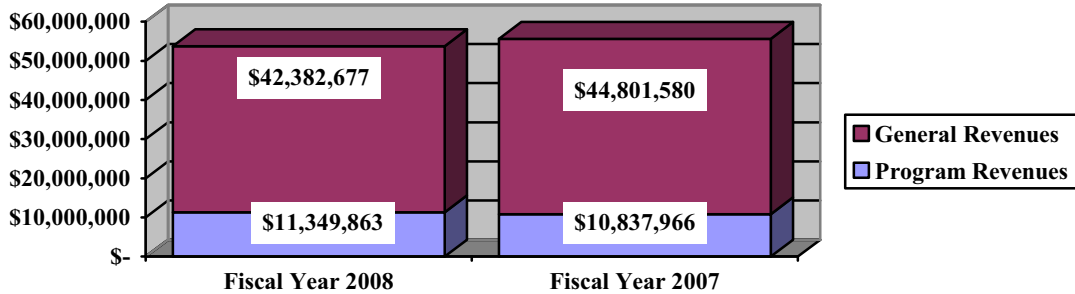
The dependence upon tax and other general revenues for governmental activities is apparent, 77.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.11%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

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 \$3,007,289, which is higher than last year's balance of \$2,715,532. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Increase</u>
General	\$ 1,609,875	\$ 1,378,728	\$ 231,147
Other Governmental	<u>1,397,414</u>	<u>1,336,804</u>	<u>60,610</u>
Total	<u>\$ 3,007,289</u>	<u>\$ 2,715,532</u>	<u>\$ 291,757</u>

General Fund

During fiscal year 2008, the District's general fund balance increased \$231,147 to a fund balance of \$1,609,875.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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

	2008 <u>Amount</u>	2007 <u>Amount</u>	Increase\ <u>Decrease</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 25,853,490	\$ 28,069,107	\$ (2,215,617)	(7.89) %
Tuition	3,432,031	2,818,303	613,728	21.78 %
Earnings on investments	491,289	467,000	24,289	5.20 %
Intergovernmental	16,906,137	16,381,493	524,644	3.20 %
Other revenues	<u>467,666</u>	<u>522,185</u>	<u>(54,519)</u>	(10.44) %
Total	<u>\$ 47,150,613</u>	<u>\$ 48,258,088</u>	<u>\$ (1,107,475)</u>	(2.29) %
<u>Expenditures</u>				
Instruction	\$ 30,025,313	\$ 28,426,702	\$ 1,598,611	5.62 %
Support services	14,239,947	13,672,612	567,335	4.15 %
Extracurricular activities	810,612	743,568	67,044	9.02 %
Non-instructional	182,043	9,718	172,325	1,773.26 %
Facilities acquisition and construction	22,901	-	22,901	100.00 %
Capital outlay	484,995	-	484,995	100.00 %
Debt service	<u>91,763</u>	<u>-</u>	<u>91,763</u>	100.00 %
Total	<u>\$ 45,857,574</u>	<u>\$ 42,852,600</u>	<u>\$ 3,004,974</u>	7.01 %

Revenues of the general fund decreased \$1,107,475 or 2.29%. The most significant decrease was in the area of tax revenues. Tax revenues decreased \$2,215,617 or 7.89%. This decrease was primarily attributable to two reasons. First, there was an approximate \$650,000 variance in the amount of tax advance that was available to the District from the county fiscal officer at June 30, 2008 versus June 30, 2007. This variance resulted in less tax revenue being reported in fiscal year 2008. The amount of tax advances available from the county fiscal officer can vary depending upon when tax bills are mailed. Secondly, tax revenue decreased due to the phase out of tangible personal property tax revenue. Tuition revenue increased \$613,728 or 21.78%. This increase is due mainly to an increase in summer school tuition and special education tuition. Intergovernmental revenue increased \$524,644 or 3.06% which can be attributed to an increase of roughly \$565,000 in tangible personal property reimbursement receipts from the State.

Expenditures of the general fund increased \$3,004,974 or 7.01%. The most significant increases were in the areas of instructional and support services. Instructional and support services increased \$1,598,611 and \$567,335, respectively. These increases are a result of increased wages paid to employees. Capital outlay expenditures increased \$484,995 due to the District entering into a capital lease agreement during fiscal year 2008.

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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$45,507,542 were increased to \$47,368,900 in the final budget. Actual revenues and other financing sources for fiscal year 2008 were \$47,937,818. This represents a \$568,918 increase from the final budgeted revenues, primarily due to an increase in taxes and intergovernmental revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

General fund original appropriations (appropriated expenditures plus other financing uses) of \$45,581,538 were increased to \$46,593,282 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$46,773,510, which was \$180,228 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$9,691,445 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, 2008 balances compared to June 30, 2007.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,559,463	\$ 1,296,507
Land improvements	613,384	625,117
Building and improvements	6,476,107	6,019,247
Furniture and equipment	675,940	131,559
Vehicles	<u>366,551</u>	<u>265,281</u>
Total	<u>\$ 9,691,445</u>	<u>\$ 8,337,711</u>

The overall increase in capital assets of \$1,353,734 is due to capital outlays of \$2,004,561, being more than current year depreciation of \$645,449 and disposals of \$5,378 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2008, the District had \$6,574,131 in general obligation bonds, asbestos removal loans, IP phone system loans, tax anticipation notes and capital leases outstanding. Of this total, \$1,305,524 is due within one year and \$5,268,607 is due in more than one year. The following table summarizes the bonds, loans, notes and capital leases outstanding.

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Governmental obligation bonds	\$ 5,319,000	\$ 5,768,000
Asbestos removal loan	118,635	144,999
IP phone system loan	104,000	204,000
Tax anticipation notes	620,000	1,860,000
Capital Leases	<u>412,496</u>	<u>-</u>
Total	<u>\$ 6,574,131</u>	<u>\$ 7,976,999</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

At June 30, 2008, the District had voted debt margin was \$66,426,789 and an unvoted debt margin of \$792,562.

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

Current Related Financial Activities

During fiscal year 2005, the District was placed in fiscal watch by the Auditor of the State of Ohio. A tax levy was passed in November 2004, and the District issued tax anticipation notes which are payable over the next five years. During fiscal year 2007, the District was removed from fiscal watch.

Another 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 are 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 44222-0396.

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government	Component Units	
	Governmental Activities	Cuyahoga Falls Schools Foundation	Schnee Learning Center
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 9,439,366	\$ 608,944	\$ 110,145
Receivables:			
Taxes	27,120,793	-	-
Accounts	28,536	-	-
Intergovernmental	314,632	-	-
Prepayments	28,440	-	469
Materials and supplies inventory	99,891	-	-
Capital assets:			
Land	1,559,463	-	-
Depreciable capital assets, net	8,131,982	-	20,838
Total capital assets, net	9,691,445	-	20,838
Total assets.	46,723,103	608,944	131,452
Liabilities:			
Accounts payable.	721,108	-	-
Accrued wages and benefits	3,676,688	-	-
Pension obligation payable.	1,036,326	-	-
Intergovernmental payable	472,424	-	-
Unearned revenue	24,482,966	-	-
Accrued interest payable	21,064	-	-
Claims payable	943,911	-	-
Long-term liabilities:			
Due within one year.	1,733,670	-	-
Due in more than one year	7,289,665	-	-
Total liabilities	40,377,822	-	-
Net Assets:			
Invested in capital assets, net of related debt.	3,737,314	-	20,838
Restricted for:			
Capital projects	520,055	-	-
Debt service.	312,884	-	-
Locally funded programs.	92,108	-	-
State funded programs	155,437	-	-
Federally funded programs.	6,177	-	-
Student activities	134,586	-	-
Other purposes	11,000	-	-
Unrestricted	1,375,720	608,944	110,614
Total net assets	\$ 6,345,281	\$ 608,944	\$ 131,452

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, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 20,972,123	\$ 3,953,295	\$ 736,286	\$ -	\$ (16,282,542)
Special	5,048,106	56,252	2,224,572	-	(2,767,282)
Vocational	1,094,918	8,776	224,978	-	(861,164)
Other	4,484,190	-	-	-	(4,484,190)
Support services:					
Pupil	2,665,592	-	317,618	-	(2,347,974)
Instructional staff	1,123,122	4,144	85,747	-	(1,033,231)
Board of education	84,189	-	-	-	(84,189)
Administration	2,885,382	-	151,447	-	(2,733,935)
Fiscal	863,124	-	-	-	(863,124)
Business	395,803	-	-	-	(395,803)
Operations and maintenance	4,624,586	249,391	30,000	-	(4,345,195)
Pupil transportation	1,217,933	19,343	155,758	8,699	(1,034,133)
Central	291,078	-	2,970	-	(288,108)
Operation of non-instructional services:					
Non-instructional services	233,603	2,081	56,837	-	(174,685)
Food service operations	1,406,797	870,104	638,785	-	102,092
Extracurricular activities	1,026,108	222,744	-	-	(803,364)
Intergovernmental pass-through	820,045	-	1,330,036	-	509,991
Interest and fiscal charges	357,786	-	-	-	(357,786)
Total governmental activities	49,594,485	5,386,130	5,955,034	8,699	(38,244,622)
Component Units:					
Cuyahoga Falls Schools Foundation	57,107	-	161,304	-	-
Schnee Learning Center	1,357,569	7,468	1,226,465	-	-
Total component units	1,414,676	7,468	1,387,769	-	-
Totals	\$ 51,009,161	\$ 5,393,598	\$ 7,342,803	\$ 8,699	(38,244,622)
General Revenues:					
Property taxes levied for:					
General purposes					25,672,497
Debt service					662,466
Grants and entitlements not restricted					
to specific programs					15,435,633
Investment earnings					491,289
Payment in lieu of taxes					26,167
Miscellaneous					94,625
Total general revenues					42,382,677
Change in net assets					4,138,055
Net assets					
at beginning of year					2,207,226
Net assets at end of year					\$ 6,345,281

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,673,696	\$ 1,603,507	\$ 7,277,203
Receivables:			
Taxes	26,488,797	631,996	27,120,793
Accounts	-	28,536	28,536
Intergovernmental	314,632	-	314,632
Prepayments	28,440	-	28,440
Materials and supplies inventory	68,491	31,400	99,891
Total assets	\$ 32,574,056	\$ 2,295,439	\$ 34,869,495
Liabilities:			
Accounts payable	\$ 641,437	\$ 79,671	\$ 721,108
Accrued wages and benefits	3,540,280	136,408	3,676,688
Compensated absences payable	231,809	10,099	241,908
Pension obligation payable.	974,445	61,881	1,036,326
Intergovernmental payable.	456,072	16,352	472,424
Deferred revenue.	1,216,144	14,642	1,230,786
Unearned revenue.	23,903,994	578,972	24,482,966
Total liabilities	30,964,181	898,025	31,862,206
Fund Balances:			
Reserved for encumbrances	147,874	24,749	172,623
Reserved for materials and supplies inventory.	68,491	31,400	99,891
Reserved for prepayments	28,440	-	28,440
Reserved for property tax unavailable for appropriation	1,683,291	38,382	1,721,673
Unreserved, undesignated (deficit), reported in:			
General fund	(318,221)	-	(318,221)
Special revenue funds.	-	501,904	501,904
Debt service fund	-	280,924	280,924
Capital projects funds.	-	520,055	520,055
Total fund balances	1,609,875	1,397,414	3,007,289
Total liabilities and fund balances	\$ 32,574,056	\$ 2,295,439	\$ 34,869,495

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, 2008

Total governmental fund balances		\$	3,007,289
<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.			9,691,445
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	916,154	
Accounts receivable		314,632	
Total			1,230,786
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			1,218,252
In the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(21,064)
Long-term liabilities, including bonds, notes and loans payable are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(2,207,296)	
General obligation bonds payable		(5,319,000)	
Loans payable		(222,635)	
Capital lease obligation payable		(412,496)	
Tax anticipation note payable		(620,000)	
Total			(8,781,427)
Net assets of governmental activities		\$	6,345,281

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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 25,853,490	\$ 523,358	\$ 26,376,848
Tuition	3,432,031	-	3,432,031
Charges for services	-	870,104	870,104
Transportation fees	19,343	-	19,343
Earnings on investments	491,289	11,449	502,738
Classroom materials and fees	9,409	156,842	166,251
Extracurricular	73,500	368,755	442,255
Rentals	-	249,391	249,391
Other local revenues	365,414	140,836	506,250
Intergovernmental - Intermediate	-	600	600
Intergovernmental - State	16,906,137	1,619,405	18,525,542
Intergovernmental - Federal	-	2,800,940	2,800,940
Total revenues	<u>47,150,613</u>	<u>6,741,680</u>	<u>53,892,293</u>
Expenditures:			
Current:			
Instruction:			
Regular	20,351,618	963,510	21,315,128
Special	4,139,291	1,080,474	5,219,765
Vocational	1,044,948	89,841	1,134,789
Other	4,489,456	-	4,489,456
Support services:			
Pupil	2,420,639	335,932	2,756,571
Instructional staff	1,082,061	86,082	1,168,143
Board of education	84,189	-	84,189
Administration	2,825,510	151,741	2,977,251
Fiscal	854,974	7,950	862,924
Business	399,133	-	399,133
Operations and maintenance	4,882,371	65,240	4,947,611
Pupil transportation	1,315,771	-	1,315,771
Central	375,299	2,970	378,269
Operation of non-instructional services:			
Non-instructional services	182,043	59,846	241,889
Food service operations	-	1,457,910	1,457,910
Extracurricular activities	810,612	198,060	1,008,672
Intergovernmental pass-through	-	1,193,102	1,193,102
Facilities acquisition and construction	22,901	375,391	398,292
Capital outlay	484,995	-	484,995
Debt service:			
Principal retirement	72,499	1,815,364	1,887,863
Interest and fiscal charges	19,264	344,544	363,808
Total expenditures	<u>45,857,574</u>	<u>8,227,957</u>	<u>54,085,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,293,039</u>	<u>(1,486,277)</u>	<u>(193,238)</u>
Other financing sources (uses):			
Transfers in	-	1,546,887	1,546,887
Transfers (out)	(1,546,887)	-	(1,546,887)
Capital lease transaction	484,995	-	484,995
Total other financing sources (uses)	<u>(1,061,892)</u>	<u>1,546,887</u>	<u>484,995</u>
Net change in fund balances	231,147	60,610	291,757
Fund balances at beginning of year	<u>1,378,728</u>	<u>1,336,804</u>	<u>2,715,532</u>
Fund balances at end of year	<u>\$ 1,609,875</u>	<u>\$ 1,397,414</u>	<u>\$ 3,007,289</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 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	291,757
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 2,004,561	
Current year depreciation	<u>(645,449)</u>	
Total		1,359,112
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(5,378)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(79,892)	
Tuition	(64,034)	
Intergovernmental	<u>(15,827)</u>	
Total		(159,753)
Repayment of bond, note and capital lease obligations 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	449,000	
Loans	126,364	
Notes	1,240,000	
Capital lease	<u>72,499</u>	
Total		1,887,863
In the statement of activities, interest is accrued on outstanding bonds, loans and notes whereas in governmental funds, an interest expenditure is reported when due.		
		6,022
Capital lease transactions are recorded as an other financing source in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(484,995)
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		
		(16,046)
An internal service fund is used by management to charge the cost of insurance to individual funds and related internal service fund revenues are eliminated. The net revenues (expenses) of the internal service fund are allocated among the governmental activities.		
		<u>1,259,473</u>
Change in net assets of governmental activities	\$	<u>4,138,055</u>

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, 2008

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 25,255,804	\$ 26,288,821	\$ 26,604,559	\$ 315,738
Tuition.	3,291,524	3,426,155	3,467,304	41,149
Transportation fees.	18,362	19,113	19,343	230
Earnings on investments.	447,850	466,168	471,767	5,599
Extracurricular.	69,774	72,628	73,500	872
Classroom materials and fees	8,932	9,297	9,409	112
Other local revenues	343,159	357,195	361,485	4,290
Intergovernmental - State	16,049,055	16,705,497	16,906,136	200,639
Total revenues.	<u>45,484,460</u>	<u>47,344,874</u>	<u>47,913,503</u>	<u>568,629</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,129,236	20,591,846	20,679,421	(87,575)
Special.	4,079,704	4,173,464	4,191,213	(17,749)
Vocational.	1,005,737	1,028,850	1,033,226	(4,376)
Other.	3,846,436	3,934,835	3,951,569	(16,734)
Support services:				
Pupil.	2,359,003	2,413,218	2,423,481	(10,263)
Instructional staff	1,033,798	1,057,556	1,062,054	(4,498)
Board of education	94,566	96,740	97,151	(411)
Administration.	2,828,809	2,893,821	2,906,128	(12,307)
Fiscal	842,418	861,778	865,443	(3,665)
Business	391,271	400,263	401,965	(1,702)
Operations and maintenance.	4,766,350	4,875,890	4,896,627	(20,737)
Pupil transportation	1,296,436	1,326,231	1,331,871	(5,640)
Central.	381,808	390,583	392,244	(1,661)
Operation of non-instructional services	156,642	160,242	160,923	(681)
Extracurricular activities.	788,845	806,974	810,406	(3,432)
Facilities acquisition and construction.	22,292	22,804	22,901	(97)
Total expenditures	<u>44,023,350</u>	<u>45,035,094</u>	<u>45,226,623</u>	<u>(191,529)</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,461,110</u>	<u>2,309,780</u>	<u>2,686,880</u>	<u>377,100</u>
Other financing sources (uses):				
Transfers (out)	(1,558,188)	(1,558,188)	(1,546,887)	11,301
Refund of prior year expenditures	23,082	24,026	24,315	289
Total other financing sources (uses)	<u>(1,535,106)</u>	<u>(1,534,162)</u>	<u>(1,522,572)</u>	<u>11,590</u>
Net change in fund balance	(73,996)	775,618	1,164,308	388,690
Fund balance at beginning of year.	4,079,024	4,079,024	4,079,024	-
Prior year encumbrances appropriated	174,300	174,300	174,300	-
Fund balance at end of year	<u>\$ 4,179,328</u>	<u>\$ 5,028,942</u>	<u>\$ 5,417,632</u>	<u>\$ 388,690</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, 2008

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 2,162,163
Total assets	2,162,163
Liabilities:	
Claims payable	943,911
Total liabilities	943,911
Net assets:	
Unrestricted	1,218,252
Total net assets.	\$ 1,218,252

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, 2008

	Governmental Activities - Internal Service Funds
	<hr/>
Operating revenues:	
Charges for services	\$ 6,103,940
Total operating revenues	<hr/> 6,103,940 <hr/>
 Operating expenses:	
Purchased services	34,946
Claims expense	4,809,521
Total operating expenses	<hr/> 4,844,467 <hr/>
 Operating income/change in net assets	 <hr/> 1,259,473 <hr/>
 Net assets (deficit) at beginning of year	 <hr/> (41,221) <hr/>
 Net assets at end of year.	 <hr/> \$ 1,218,252 <hr/> <hr/>

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, 2008

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	\$ 6,103,940
Cash payments for purchased services	(34,946)
Cash payments for claims.	<u>(5,228,247)</u>
Net cash provided by operating activities	<u>840,747</u>
Net increase in cash and cash equivalents	840,747
Cash and cash equivalents at beginning of year. . .	<u>1,321,416</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,162,163</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,259,473
Changes in assets and liabilities: Decrease in claims payable	<u>(418,726)</u>
Net cash provided by operating activities	<u><u>\$ 840,747</u></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, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 32,953	\$ 97,061
Total assets.	32,953	\$ 97,061
Liabilities:		
Accounts payable.	700	\$ -
Due to others	-	33,345
Due to students	-	63,716
Total liabilities	700	\$ 97,061
Net Assets:		
Held in trust for scholarships	32,253	
Total net assets	\$ 32,253	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 122
Total additions.	122
Deductions:	
Scholarships awarded	4,201
Change in net assets	(4,079)
Net assets at beginning of year.	36,332
Net assets at end of year	\$ 32,253

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, 2008**

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 217 non-certified and 403 certified full-time and part-time employees to provide services to 4,907 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided they do 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. 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, 2008
(CONTINUED)

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

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

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 6 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 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 44222-0396.

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 44222-0396.

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 Note 17 and 18, respectively.

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet is 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. The seven-member board of directors consists of four superintendents, two members of the treasurers' committee and one member of the student services subcommittee. 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 Summit County Educational Service Center is the fiscal agent of NEOnet. Financial information is available from the Treasurer of the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$108,962 to NEOnet.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

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 Aurora Road, Hudson, Ohio 44236.

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 Government Accounting Standards Board 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 is a member of SRHCC for only life insurance benefits.

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, 2008, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

The following is the District's major governmental fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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 to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; (c) food service operations; and (d) to account for the accumulation of resources for the repayment of debt.

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 2008, the District had two agency funds that account for student managed activities and a former regional government's retirement benefits.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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, 2008, but which were levied to finance fiscal year 2009 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, 2008 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

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 2008 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 expressed 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 June 30, 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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate 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 2008.
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.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

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 2008, investments were limited to repurchase agreements and investments in 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 2008. 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, 2008.

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 2008 amounted to \$491,289 which includes \$193,550 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 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 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, 2008
(CONTINUED)

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, 2008.

J. Compensated Absences

Compensated absences of the District consist of vacation leave, sick leave and pension health benefits 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

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 Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, inventories of materials and supplies, and property tax unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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, the fund balance is reserved by an amount equal to the carrying value of the asset on 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, 2008
(CONTINUED)

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

O. 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 underground storage 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.

P. 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.

Q. 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.

R. 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 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balance

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
EMIS	\$ 550
Poverty based assistance	6,007
Title VI-B	122,504
Title I	38,774
Title V	199
Drug free schools	62
Improving teacher quality	707

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 result 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$(110,705), exclusive of the \$1,375,000 repurchase agreement included in investments below. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, the District’s entire bank balance of \$23,852 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2008, 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 Agreement	\$ 1,375,000	\$ 1,375,000
STAR Ohio	8,305,805	8,305,805
	<u>\$ 9,680,805</u>	<u>\$ 9,680,805</u>

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: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

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 \$1,375,000 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 1,375,000	14.20
STAR Ohio	8,305,805	85.80
	<u>\$ 9,680,805</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, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (110,705)
Investments	<u>9,680,085</u>
Total	<u>\$ 9,569,380</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,439,366
Private-purpose trust funds	32,953
Agency funds	<u>97,061</u>
Total	<u>\$ 9,569,380</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General fund	<u>\$ 1,546,887</u>
Total Transfers	<u>\$ 1,546,887</u>

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. The transfer from the general fund to the debt service fund (a nonmajor governmental fund) is for the retirement of debt obligations.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property is assessed at 12.5% for property including inventory. This percentage will be reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2008 was \$1,683,291 in the general fund and \$38,382 in the debt service fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$2,331,952 in the general fund and \$43,772 in the debt service fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 788,120,890	96.54	\$ 789,678,240	98.12
Public utility personal	7,644,730	0.94	3,025,310	0.38
Tangible personal property	<u>20,595,674</u>	<u>2.52</u>	<u>12,092,658</u>	<u>1.50</u>
Total	<u>\$ 816,361,294</u>	<u>100.00</u>	<u>\$ 804,796,208</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$69.74		\$69.88	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 27,120,793
Accounts	28,536
Intergovernmental	<u>314,632</u>
Total	<u>\$ 27,463,961</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2008</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,296,507	\$ 262,956	\$ -	\$ 1,559,463
Total capital assets, not being depreciated	<u>1,296,507</u>	<u>262,956</u>	<u>-</u>	<u>1,559,463</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,157,748	45,062	-	2,202,810
Buildings and improvements	21,677,558	831,139	(44,814)	22,463,883
Furniture and equipment	967,635	669,077	(5,829)	1,630,883
Vehicles	<u>1,446,342</u>	<u>196,327</u>	<u>(181,871)</u>	<u>1,460,798</u>
Total capital assets, being depreciated	<u>26,249,283</u>	<u>1,741,605</u>	<u>(232,514)</u>	<u>27,758,374</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,532,631)	(56,795)	-	(1,589,426)
Buildings and improvements	(15,658,311)	(368,901)	39,436	(15,987,776)
Furniture and equipment	(836,076)	(124,696)	5,829	(954,943)
Vehicles	<u>(1,181,061)</u>	<u>(95,057)</u>	<u>181,871</u>	<u>(1,094,247)</u>
Total accumulated depreciation	<u>(19,208,079)</u>	<u>(645,449)</u>	<u>227,136</u>	<u>(19,626,392)</u>
Governmental activities capital assets, net	<u>\$ 8,337,711</u>	<u>\$ 1,359,112</u>	<u>\$ (5,378)</u>	<u>\$ 9,691,445</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 398,040
Vocational	137
<u>Support services:</u>	
Instructional staff	5,335
Administration	2,671
Business	3,557
Operations and maintenance	40,866
Pupil transportation	121,397
Central	6,940
Non-instructional	919
Extracurricular activities	50,633
Food service operations	6,289
Intergovernmental pass-through	<u>8,665</u>
Total depreciation expense	<u>\$ 645,449</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2008, 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, 2008 for copiers was \$88,916 leaving a current book value of \$396,079. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$72,499 paid by the general fund.

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, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 110,115
2010	110,116
2011	110,116
2012	110,116
2013	<u>18,354</u>
Total minimum lease payments	458,817
Less: amount representing interest	<u>(46,321)</u>
Total	<u>\$ 412,496</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Interest Rate	Balance at June 30, 2007	Increase	Decrease	Balance at June 30, 2008	Amounts Due in One Year
General Obligation Bonds:						
1999 school improvement bonds	4.25%	\$ 5,590,000	\$ -	\$ (360,000)	\$ 5,230,000	\$ 375,000
2002 school improvement bonds	4.19%	178,000	-	(89,000)	89,000	89,000
Total General Obligation Bonds		<u>5,768,000</u>	<u>-</u>	<u>(449,000)</u>	<u>5,319,000</u>	<u>464,000</u>
Long-term Loans:						
2002 IP phone system loan	4.19%	204,000	-	(100,000)	104,000	104,000
1993 asbestos removal loan	0.00%	144,999	-	(26,364)	118,635	26,362
Total Loans Payable		<u>348,999</u>	<u>-</u>	<u>(126,364)</u>	<u>222,635</u>	<u>130,362</u>
Tax anticipation notes	4.27%	1,860,000	-	(1,240,000)	620,000	620,000
Other Long-term Obligations:						
Capital lease obligation		-	484,995	(72,499)	412,496	91,162
Compensated absences		2,613,822	528,105	(692,723)	2,449,204	428,146
Total Other Long-term Obligations		<u>2,613,822</u>	<u>1,013,100</u>	<u>(765,222)</u>	<u>2,861,700</u>	<u>519,308</u>
Total		<u>\$ 10,590,821</u>	<u>\$ 1,013,100</u>	<u>\$ (2,580,586)</u>	<u>\$ 9,023,335</u>	<u>\$ 1,733,670</u>

General Obligation Bonds: In 1999 and 2002, the District issued School Improvement bonds, in the amount of \$8,000,000 and \$620,000 respectively, 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, and will mature in December 2018 and December 2008, respectively. These bonds were retired during the fiscal year with voted property tax receipts of the debt service fund (a nonmajor governmental fund).

Long-term Loans: 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 with the general property tax operating levy receipts into the bond retirement debt service fund. In March 2002, the District entered into an IP Phone System loan agreement to finance the installation of a modern phone system throughout the District. The loan, scheduled to mature in December 2008, will be repaid with the general property tax operating levy received into the debt service fund (a nonmajor governmental fund).

Tax Anticipation Notes: During 2005, the District issued \$3,100,000 in tax anticipation notes to be repaid over the next five years with tax revenues generated by a tax levy passed November 2004. These notes were used for general operations of the District. The notes mature in December 2008, and will be paid from the debt service fund (a nonmajor governmental fund).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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", at June 30, 2008 is \$171,888 and is reported in the compensated absences long-term obligation.

- 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	General Obligation Bonds			Long-term loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 464,000	\$ 244,308	\$ 708,308	\$ 130,362	\$ 21,961	\$ 152,323
2010	390,000	226,445	616,445	26,365	-	26,365
2011	405,000	207,940	612,940	26,364	-	26,364
2012	425,000	185,011	610,011	26,364	-	26,364
2013	450,000	161,165	611,165	13,180	-	13,180
2014 - 2018	2,590,000	458,010	3,048,010	-	-	-
2019	595,000	14,280	609,280	-	-	-
Total	<u>\$ 5,319,000</u>	<u>\$ 1,497,159</u>	<u>\$ 6,816,159</u>	<u>\$ 222,635</u>	<u>\$ 21,961</u>	<u>\$ 244,596</u>

Fiscal Year Ending June 30	Tax Anticipation Notes		
	Principal	Interest	Total
2009	<u>\$ 620,000</u>	<u>\$ 13,237</u>	<u>\$ 633,237</u>

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, 2008, are a voted debt margin of \$66,426,789 (including available funds of \$415,209) and an unvoted debt margin of \$792,562.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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 commercial carrier. Indiana Insurance settled claims have not exceeded this commercial coverage in any of the past three years.

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

	<u>Coverage</u>	<u>Deductible</u>
Property Insurance	\$ 122,902,580	\$ 5,000
Liability Insurance	1,000,000/5,000,000	0/0
Auto Insurance	5,000,000	250 Comprehensive 500 Collision

B. Health Insurance

The claims liability of \$943,911 reported in the basic financial statements at June 30, 2008, 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, 2008 and June 30, 2007:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$ 1,362,637	\$ 4,809,521	\$ (5,228,247)	\$ 943,911
2007	759,581	5,571,802	(4,968,746)	1,362,637

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 *Forms and Publications*.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 12 - PENSION PLANS - (Continued)

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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 to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$542,027, \$571,270 and \$624,681, respectively; 49.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 2008, 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.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,712,618, \$2,595,821 and \$2,544,669, respectively; 82.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$32,651 made by the District and \$90,389 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$360,094, \$301,562 and \$228,066, respectively; 49.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$39,054, \$38,846 and \$49,719, respectively; 49.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 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 2008, 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, 2008, 2007, and 2006 were \$208,663, \$199,679 and \$195,744, respectively; 82.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The combined 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); and
- (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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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	\$ 1,164,308
Net adjustment for revenue accruals	(762,890)
Net adjustment for expenditure accruals	(813,972)
Net adjustment for other sources/uses	460,680
Adjustment for encumbrances	<u>183,021</u>
GAAP basis	<u>\$ 231,147</u>

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, 2008.

B. Litigation

The District is not a party to legal proceedings at June 30, 2008.

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks / Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2007	\$ (121,768)	\$ -
Current year set-aside requirement	786,381	786,381
Qualifying disbursements	<u>(906,263)</u>	<u>(974,861)</u>
Total	<u>\$ (241,650)</u>	<u>\$ (188,480)</u>
Balance carried forward to FY 2009	<u>\$ (241,650)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero. The negative amount may be carried forward to the next year for the textbooks/instructional materials set-aside, however, the negative amount may not be carried forward for the capital maintenance set-aside.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 17 - 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 new conversion school in Cuyahoga Falls City School District (the "Sponsor") addressing the needs of students in grades 6-12. 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 6 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. 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 166 students during fiscal year 2008.

The Center operates under the direction of a five-member Board of Directors which consists of the Cuyahoga Falls City School District superintendent, Cuyahoga Falls City School District assistant superintendent, an Ivy Park Association Representative, a Cuyahoga Falls city councilman, 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.

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, and the Sponsor is solely responsible for all payroll functions. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2007 through June 30, 2008 can be found in Note 17.D.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

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) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Center does not apply FASB Statements or Interpretations 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. 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 \$1,000. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

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 Center had no restricted net assets at June 30, 2008. 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 Title VI-B grant, Title I grant, Innovative Education Program, Drug Free School grant, Title II-A, Title II-D, Title V, Title IVA, Public Charter School Program and the EMIS grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues 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, 2008, the carrying amount of the Center's deposits was \$110,145. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2008, \$25,912 of the Center's bank balance of \$125,912 was exposed to custodial credit risk as described below, while \$100,000 was covered by the Federal Deposit Insurance Corporation. 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, 2008
(CONTINUED)

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

C. Capital Assets

	Balance at 7/1/2007	Additions	Reductions	Balance at 6/30/2008
Equipment	\$ 41,972	\$ -	\$ -	\$ 41,972
Less: accumulated depreciation	(10,023)	(11,111)	-	(21,134)
Net capital assets	\$ 31,949	\$ (11,111)	\$ -	\$ 20,838

D. Purchased Services

For the fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$1,274,809
Travel and meetings	3,579
Miscellaneous	235
Total	\$1,278,623

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, 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 17 - 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 2009, as a result of the reviews which have yet to be completed.

G. Related Party Transactions

For the fiscal year ended June 30, 2008, the Center had expenses of \$1,022,083 to their sponsor.

NOTE 18 - CUYAHOGA FALLS SCHOOLS FOUNDATION

The Cuyahoga Falls Schools Foundation (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 Cuyahoga Falls Schools 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.

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**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	043836-C1S1-2008	84.010	\$458,420		\$ 458,420	
Special Education Cluster:						
Special Education - Grants to States	043836-6BSF-2008	84.027	1,391,275		1,391,275	
Special Education - Preschool Grants	043836-PGS1-2008	84.173	30,131		30,131	
Total Special Education Cluster/Special Education Grants to States			1,421,406		1,421,406	
Safe and Drug-Free Schools and Communities State Grants	0493836-DRS1-2008	84.186	15,503		15,503	
Education Technology State Grants	0493836-TJSI-2008	84.318	4,639		4,639	
Innovative Education Program Strategies	0493836-C2S1-2008	84.298	14,847		14,847	
English Language Acquisition Grants	0493836-T3S1-2008	84.365	24,102		24,102	
Improving Teacher Quality State Grants	0493836-TRS1-2008	84.367	171,484		171,484	
Vocational Education Basic Grants to States	0493836-20AD-2007 0493836-20AD-2008	84.048	72,908		17,783 52,531	
Total Vocational Education Basic Grants to States			72,908		70,314	
Total U.S. Department of Education			2,183,309	-	2,180,715	-
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Food Donation	N/A	10.550		\$99,937		\$76,761
Child Nutrition Cluster:						
National School Breakfast Program	N/A	10.553	38,671		38,671	
National School Lunch Program	N/A	10.555	510,475		433,844	
Total Child Nutrition Cluster			549,146		472,515	
Total U.S. Department of Agriculture			549,146	99,937	472,515	76,761
Totals			\$2,732,455	\$99,937	\$2,653,230	\$76,761

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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, the major fund, and the aggregate component unit and remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2009. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the District's management in a separate letter dated January 28, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 28, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 28, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 Cuyahoga Falls City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The 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 District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 28, 2009

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
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
MARCH 3, 2009**