Auditor of State
Betty Montgomery

Cuyahoga Falls City School District
Summit County, Ohio

Termination of Fiscal Watch

Local Government Services Section

CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY

FISCAL WATCH TERMINATION

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Termination of Fiscal Watch

Pursuant to a request to the Auditor of State by the Cuyahoga Falls City School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Cuyahoga Falls City School District has met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. The Cuyahoga Falls City School District's status of Fiscal Watch is hereby terminated as of January 5, 2007.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Curtis Grimes, President of the Board of Education of the Cuyahoga Falls City School District; Donald Robart, Mayor of the City of Cuyahoga Falls, Timothy S. Keen, Director of Budget and Management; and Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 5, 2007

88 E. Broad St. / Columbus, OH 43215
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code, is required to declare a school district to be in a state of fiscal watch if it is determined that the school district meets any one of the four conditions described in Section 3316.03(A) of the Ohio Revised Code. The conditions are:

1. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year exceeding 8 percent of the school district's general fund revenue for the preceding fiscal year, and the district has not passed a tax levy to eliminate this condition in the succeeding year.

2. A school district has restructured its operating debt while in fiscal emergency, the fiscal emergency has been terminated and any portion of the restructured debt is still outstanding.

3. A school district was placed in fiscal caution due to budgetary conditions that could lead to a declaration of watch or emergency, the school district has not acted reasonably to correct the noted fiscal conditions, and the Ohio Department of Education has determined that a declaration of fiscal watch is necessary to prevent further fiscal decline.

4. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year between two percent and eight percent of the school district's general fund revenue for the preceding fiscal year, the district has not passed a levy to eliminate the deficit in the succeeding fiscal year, and the Auditor of State determines there is no reasonable cause for the deficit or that declaring fiscal watch is necessary to prevent further fiscal decline.

The Auditor of State performed an analysis of the Cuyahoga Falls City School District (the School District), dated April 8, 2005, to determine whether the School District met the conditions for fiscal watch and certified a general fund operating deficit of $4,714,000 for the fiscal year ending June 30, 2005. This deficit exceeded eight percent of the general fund revenues for fiscal year 2004. Additionally, the School District had not passed a levy as of April 8, 2005, that would eliminate this condition in fiscal year 2005. As a result of the analysis, the Auditor of State declared the Cuyahoga Falls City School District to be in fiscal watch on April 8, 2005.

Guidelines for Release from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in Guidelines for Release from Fiscal Watch, developed by the Ohio Department of Education and the Auditor of State. These guidelines permit a school district to first submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State declared the school district in fiscal watch. A school district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the declaration. Additionally, a school district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the school district.

A school district seeking release from fiscal watch must request release by sending a letter and board resolution to the Auditor of State and the State Superintendent of Public Instruction.

The Department of Education will:

- Determine whether the district has met the requirements of its financial recovery plan (including alleviating the conditions that lead to the declaration of fiscal watch and alleviating any conditions and discontinuing any practices identified by the Auditor of State that could lead to the declaration of fiscal caution) and provide the Auditor of State with a written summary of its findings; and,

- Based on its review and analysis of the district, notify the Auditor of State whether it supports the Board of Education's request for release.

The Auditor of State's Office will:

- Determine that the district received an unqualified opinion on its most recent audit of its financial statements and that the statements were prepared in accordance with generally accepted accounting principles;

- Determine that the compliance and management letters issued as part of the most recent audit contain no material issues relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the district;

- Examine the district's five-year forecast. To be eligible for release from watch, the forecast must be based on the board's most likely course of action, demonstrate that the district will avoid all fiscal watch conditions for the current and ensuing fiscal year, and receive an unqualified opinion from the Auditor of State; and,

- Make a determination regarding release and notify the school district and the Department of Education.

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

The Cuyahoga Falls City School District Board of Education passed a resolution on April 19, 2006, requesting termination from fiscal watch. This resolution, along with recommendation for release from fiscal watch from the Ohio Department of Education, was forwarded to the Auditor of State on June 26, 2006.

- The primary strategy of the recovery plan dated July 25, 2005, was to increase operating revenues and decrease operating expenditures. Proposals to achieve these strategies included the following:

  a) The elimination of classified and certified positions through attrition or a reduction in force;

  b) The closing of two school buildings;

  c) The rental of two school buildings; and,

  d) The Superintendent, Treasurer and the Board of Education monitoring all financial activity and looking for financial alternatives.

  Actions taken to achieve the provisions of the plan include the following:

  a) Eliminated 78 certified and classified positions for a savings of approximately $2,270,000 annually.

  b) Closed Sill Middle School and Newberry Elementary School on June 30, 2005.

c) Leased two buildings, generating $65,000 annually, through 2015.

d) Obtained voter approval of a new 7.9 mill, five year operating levy in May, 2005 which generates $6,140,000 annually.

- The Ohio Department of Education provided the Auditor of State with a letter, dated June 23, 2006, in which ODE stated "…the School District achieved the objectives of the recovery plan and should be considered for release from fiscal watch."

- The guidelines require the School District to prepare its financial statements using generally accepted accounting principles and receive an unqualified audit opinion. The School District's General Purpose External Financial Statements for the fiscal year ended June 30, 2005, were released by the Auditor of State on April 13, 2006, and included an unqualified opinion.

- As part of the analysis for termination of fiscal watch, the School District's compliance and management letters issued as part of the audit for fiscal year 2005 were reviewed. The compliance and management letters disclosed the following:

  a) The School District had two citations in the report on compliance. The first was a violation of Section 5705.39, Revised Code for having appropriations which exceeded estimated resources. The second was a violation of Section 5705.10, Revised Code for having funds with negative cash balances. Management has implemented changes as a result of these findings.

  b) The Board receives a management letter at the conclusion of each annual audit. The letter that accompanied the 2005 audit included several immaterial compliance issues and recommendations. Management has implemented changes as a result of the noncompliance issues and recommendations. While these changes are in the interest of the School District, the audit for 2006 will determine the effectiveness of the changes. The Board of Education and the Financial Forecast Advisory Committee need to establish procedures to ensure the issues are resolved and that actions are taken by management appropriately address the issues in the letter.

- The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2007 through 2011, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal years. The financial forecast and our report are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved general fund balance through fiscal year 2010 and a deficit unencumbered/ unreserved fund balance in 2011. Events may occur that change this forecast that could eliminate the deficits and the Board of Education may take steps to eliminate the deficits by attempting to secure additional revenues and make cutbacks as needed. Our report on the financial forecast includes an unqualified opinion.

Conclusion

Based on our analysis, the Auditor of State has determined the following:

1) The School District has received an unqualified opinion on financial statements prepared in accordance with generally accepted accounting principles for the fiscal year ended June 30, 2005;

2) The compliance letter issued as part of the 2005 audit contained two noncompliance issues. Management has taken steps to insure that appropriations do not exceed estimated revenues and that

negative balances are avoided through advances from the general fund. Because management has taken corrective action, we do not believe these issues negatively impact the financial recovery or condition of the School District;

3) The management letter issued at the completion of the 2005 audit included several immaterial compliance issues and recommendations. Management has implemented changes as a result of the noncompliance issues and recommendations. Because management has taken corrective action, we do not believe these issues would negatively impact the financial recovery or condition of the School District;

4) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid a fiscal watch condition based on the general fund balances for fiscal years 2007 through 2010. The Board of Education has sufficient time to obtain new revenue or reduce expenditures to avoid the deficit in 2011; and,

5) The Ohio Department of Education has provided a letter dated June 23, 2006, which indicates the School District has achieved the objectives of the recovery plan and should be considered for termination of fiscal watch.

The Cuyahoga Falls City School District has met the guidelines for termination of fiscal watch. Therefore, the fiscal watch status is hereby cancelled as of January 5, 2007.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Cuyahoga Falls City School District, the Director of Budget and Management, the State Superintendent of Public Instruction, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any specific accounts or fund balances identified above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Cuyahoga Falls City School District
Summit County

Financial Forecast

For the Fiscal Years Ending
June 30, 2007 through June 30, 2011

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Auditor of State
Betty Montgomery

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of Cuyahoga Falls City School District for the fiscal years ending June 30, 2007 through 2011. The Cuyahoga Falls City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the Cuyahoga Falls City School District for the fiscal years ended June 30, 2004, 2005 and 2006 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 17, 2006

88 E. Broad St. / Columbus, OH 43215
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

Cuyahoga Falls City School District, Summit County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2004 Through 2006 Actual;
For the Fiscal Years Ending June 30, 2007 Through June 30, 2011 Forecasted
General Fund

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual
Revenues			
General Property Tax (Real Estate)	$19,460,000	$19,097,000	$21,561,000
Tangible Personal Property Tax	2,228,000	2,326,000	2,348,000
Unrestricted Grants-in-Aid	12,055,000	12,380,000	12,379,000
Restricted Grants-in-Aid	198,000	286,000	339,000
Property Tax Allocation	2,894,000	2,896,000	2,998,000
All Other Revenues	2,011,000	2,271,000	2,599,000
Total Revenues	38,846,000	39,256,000	42,224,000
Other Financing Sources			
Proceeds from the Sale of Notes	4,250,000	8,700,000	2,000,000
Capital Lease Proceeds	775,000	0	0
Transfers In	0	276,000	0
Total Other Financing Sources	5,025,000	8,976,000	2,000,000
Total Revenues and Other Financing Sources	43,871,000	48,232,000	44,224,000
Expenditures			
Personal Services	24,362,000	25,587,000	23,348,000
Employees' Retirement/Insurance Benefits	7,588,000	8,426,000	9,318,000
Purchased Services	4,489,000	6,328,000	5,703,000
Supplies and Materials	934,000	876,000	438,000
Capital Outlay	937,000	476,000	262,000
Debt Service:			
Principal - Tax Anticipation Notes	4,000,000	5,850,000	2,000,000
Principal - Capital Leases	113,000	0	0
Principal - Loans	472,000	202,000	757,000
Interest	93,000	91,000	192,000
Other Objects	1,115,000	980,000	598,000
Total Expenditures	44,103,000	48,816,000	42,616,000
Other Financing Uses			
Transfers Out	0	0	370,000
Total Expenditures and Other Financing Uses	44,103,000	48,816,000	42,986,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(232,000)	(584,000)	1,238,000
Cash Balance July 1	679,000	447,000	(137,000)
Cash Balance (Deficit) June 30	447,000	(137,000)	1,101,000
Encumbrances and Reserves:			
Actual/Estimated Encumbrances June 30	220,000	37,000	70,000
Reserves for:			
Budget Stabilization	190,000	0	0
Textbooks	0	0	0
Capital Improvements	0	0	0
Bus Purchases	8,000	0	2,000
Total Encumbrances and Reserves of Fund Balance	418,000	37,000	72,000
Fund Balance June 30 for Certification of Appropriations	29,000	(174,000)	1,029,000
Cumulative Revenue from Renewal Levies	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30	$29,000	($174,000)	$1,029,000

See accompanying summary of significant forecast assumptions and accounting policies

Fiscal Year 2007 Forecasted	Fiscal Year 2008 Forecasted	Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted
$25,310,000	$23,710,000	$22,240,000	$22,590,000	$20,300,000
1,921,000	1,547,000	775,000	124,000	61,000
12,340,000	12,302,000	12,070,000	12,185,000	12,404,000
297,000	292,000	287,000	283,000	279,000
3,739,000	4,134,000	4,481,000	5,156,000	4,974,000
3,151,000	3,036,000	2,975,000	2,915,000	2,857,000
46,758,000	45,021,000	42,828,000	43,253,000	40,875,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
46,758,000	45,021,000	42,828,000	43,253,000	40,875,000
24,285,000	25,513,000	26,589,000	27,713,000	28,822,000
8,908,000	10,050,000	11,040,000	12,146,000	13,396,000
6,164,000	5,801,000	5,823,000	5,907,000	6,054,000
810,000	834,000	859,000	885,000	911,000
515,000	689,000	619,000	619,000	619,000
620,000	620,000	620,000	620,000	620,000
0	0	0	0	0
210,000	215,000	219,000	26,000	26,000
141,000	106,000	71,000	40,000	13,000
584,000	601,000	617,000	635,000	652,000
42,237,000	44,429,000	46,457,000	48,591,000	51,113,000
50,000	50,000	50,000	50,000	50,000
42,287,000	44,479,000	46,507,000	48,641,000	51,163,000
4,471,000	542,000	(3,679,000)	(5,388,000)	(10,288,000)
1,101,000	5,572,000	6,114,000	2,435,000	(2,953,000)
5,572,000	6,114,000	2,435,000	(2,953,000)	(13,241,000)
108,000	108,000	108,000	108,000	108,000
0	0	0	0	0
0	0	220,000	443,000	656,000
0	225,000	528,000	815,000	1,110,000
4,000	0	0	0	0
112,000	333,000	856,000	1,366,000	1,874,000
5,460,000	5,781,000	1,579,000	(4,319,000)	(15,115,000)
0	1,467,000	4,365,000	7,304,000	13,153,000
$5,460,000	$7,248,000	$5,944,000	$2,985,000	($1,962,000)

Note 1 – The School District

Cuyahoga Falls City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected board consisting of five members elected at-large for staggered four year terms.

The School District is located in Summit County and encompasses nearly all of the City of North Royalton and a smaller portion of the City of Broadview Heights. The legislative power of the School District is vested in the Board of Education. The School District is staffed by 234 classified employees and 382 certified full-time personnel who provide services to 5,194 students and other community members. The School District currently operates 9 public schools, including 1 high school, 2 middle school and 6 elementary schools.

Note 2 - Nature of the Forecast

The financial forecast presents, to the best of the Cuyahoga Falls City School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of October 17, 2006, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Permanent Funds – Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The Fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

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

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in business which is located within the School District. Property taxes are collected for, and distributed to, the school district by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Summit County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the School

District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in collection year 2006, the State eliminated the ten percent rollback on commercial and industrial property. This change will increase real property taxes collected against commercial and industrial real property and decrease property tax allocation revenue.

The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. In fiscal years 2004 and 2005, the School District received advances against the next fiscal year's scheduled property tax settlements of $785,000 and $500,000, respectively. Currently, it is the Board's intent not to request any such advances for fiscal years 2007 through 2011.

From 2008 through 2011, there are two operating levies expiring. The proceeds from the renewal of these levies are excluded from the general property tax revenues and the property tax allocation for fiscal years 2008 through 2011 because they are subject to voter approval. The estimated property tax revenues from these levies are presented in the account "Cumulative Revenue from Renewal Levies" in the forecast statement. The annual revenue generated from the 4.75 and 7.90 mill levies, the levies that will expire during the forecast period, is $3,360,000 and $3,071,000, respectively.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the General Fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per $1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	$4.90
Continuing Operating	1976	n/a	31.80
Continuing Operating	1983	n/a	6.76
Continuing Operating	1998	n/a	3.00
Operating (Original Year 2002)	2002	2007	4.75
Operating (Original Year 2005)	2005	2010	7.90
Operating (Original Year 1991)	2005	2011	9.97
Total Tax Rate			$69.08

The School District also has a levy for bonded debt with a rate of $.92 per $1,000 of assessed valuation. The School District's total rate is $70.00 per $1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage below 20 mills. For the General Fund, the effective residential and agricultural real property tax rate is $33.49 per $1,000 of assessed valuation and the effective commercial and industrial and public utility real property tax rate is $39.59 per $1,000 of assessed valuation for collection year 2007.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - The estimated general property tax revenue is based upon actual receipts and information provided by the Summit County Auditor. The School District anticipates a small increase in real estate taxes each year because of new construction; however, this revenue is also adjusted for the following:

1. For fiscal year 2007, an increase due to the collection of the new 7.9 mill levy and the additional revenue from the inside millage and triennial updates in property values;

2. For fiscal year 2008, a decrease because of the phase out of public utility tax and a decrease of one-half of the annual revenue from the expiring 4.75 mill, five-year operating levy;

3. For fiscal year 2009, a decrease because of the phase out of public utility tax and a loss of a full year’s revenue from the 4.75 mill, five-year operating levy; and

4. For fiscal year 2010 and 2011, a loss of the expiring 7.9 mill, five-year operating levy.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in calendar year 2006, HB 66 will phase out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the calendar year 2005 tangible personal property tax collections, will lose $2,479,000 when the tangible personal property tax is completely phased out in 2009. These changes do not affect tangible personal property of public utilities. The only revenue in this area for 2010 and

2011 is for public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation below).

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2004 and 2.8 percent in fiscal years prior to fiscal year 2004. The School District anticipates a 2.2 percent increase in the per pupil amount in each year of the forecast. The per pupil amount for fiscal years 2004 to 2007 is as follows:

Fiscal Year	Per Pupil Foundation Level
2004	$5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the August school foundation statement for fiscal year 2007 and the amounts forecasted for the next four fiscal years are as follows:

		Forecasted			
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Formula Aid	$10,053,000	$10,217,000	$9,898,000	$9,638,000	$10,040,000
Categorical Funding	1,266,000	1,347,000	1,434,000	1,526,000	1,626,000
Transportation	665,000	665,000	665,000	665,000	665,000
Reappraisal Guarantee	283,000	0	0	283,000	0
Foundation Adjustments	73,000	73,000	73,000	73,000	73,000
Totals	$12,340,000	$12,302,000	$12,070,000	$12,185,000	$12,404,000

Formula Aid is anticipated to increase in fiscal year 2008 because of decreases in assessed valuation from the phase out of public utility property, partially offset by a decrease in enrollment. Formula aid is forecasted to decrease in fiscal years 2009 and 2010 because of increases in assessed valuation and decreases in enrollment.

Enrollment is projected to decrease by 30 students each year from 2008 through 2011. Formula aid for fiscal year 2011 is anticipated to increase due to the increase in the per pupil funding amount. Categorical funding is forecasted to increase due to increases in special education and weighted aid, teacher training and experience funding and gifted aid. The reappraisal guarantee safeguards the School District from a decrease due to an increase in local valuations that result from an update or reappraisal. The reappraisal guarantee is only forecasted for fiscal years 2007 and 2010 because those are the fiscal years immediately following a reappraisal or update year.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For the forecast period bus purchase allowance and Poverty Based Assistance are expected to remain fairly constant. Career tech monies are forecasted to decrease about two percent each year.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback credit on commercial and industrial real property and the reimbursement to local governments. Homestead and rollback revenue, based on information provided by the Ohio Department of Taxation, is anticipated to be $2,747,000 in fiscal year 2007, which is an increase of $30,000 from fiscal year 2006. Homestead and rollback revenue for fiscal year 2008 and 2009 is expected to decrease from fiscal year 2007, increase in fiscal year 2010 and decrease again in fiscal year 2011. The decrease is due to the phase out of expiring levies mentioned above.

The State exempted the first $10,000 in taxable value of tangible personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August. For fiscal year 2007, the School District anticipates $809,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation which is included in property tax allocation. This reimbursement is forecasted to increase each fiscal year through 2011.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under HB 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in HB 66 are implemented. For fiscal year 2007, the School

District anticipates receiving $809,000 of reimbursement for the tangible personal property tax phase out. This reimbursement is forecasted to increase over fiscal years 2008 through 2011.

Property tax allocation revenues consist of the following:

	Forecasted				
Revenue Sources	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Homestead and Rollback	$2,747,000	$2,590,000	$2,438,000	$2,486,000	$2,242,000
Tangible Personal Property Exemption	74,000	61,000	0	0	0
Utility Deregulation	109,000	109,000	109,000	109,000	109,000
Tangible Personal Property Loss Reimbursement	809,000	1,374,000	1,934,000	2,561,000	2,623,000
Totals	$3,739,000	$4,134,000	$4,481,000	$5,156,000	$4,974,000

E. - All Other Revenues

All other revenues include tuition, open enrollment, excess costs, transportation, interest on investments, parking lot receipts, rent, Community Alternative Funding Source (CAFS) reimbursements, payments in lieu of taxes, other receipts, and the refund of prior year expenditures.

The School District receives tuition for students from other districts who attend the Cuyahoga Falls City School District, as well as from open enrollment. The decrease in tuition is due to fewer students attending the School District. Open enrollment tuition is increasing in fiscal year 2007 because more students are attending the School District that live in other districts. For fiscal years 2008 through 2011 open enrollment tuition is expected to remain consistent with fiscal year 2007.

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

Rental revenue is decreasing in fiscal year 2007 because several rental agreements from fiscal year 2006 were not renewed for 2007. Because most of the School District's long term rental agreements have an increase in the rent charged each year, rental revenue is expected to increase for fiscal years 2008 through 2011.

The CAFS program ended June 30, 2005. The School District received some CAFS reimbursement in the beginning of fiscal year 2006 that had been requested in fiscal year 2005 but does not expect to receive any further reimbursement during the forecast period.

All other revenues consist of the following:

	Forecasted				
Revenue Sources	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Tuition	$520,000	$451,000	$440,000	$430,000	$422,000
Open Enrollment Tuition	1,758,000	1,758,000	1,758,000	1,758,000	1,758,000
Transportation	23,000	23,000	23,000	23,000	23,000
Interest on Investments	424,000	360,000	297,000	233,000	170,000
Parking Lot Receipts	9,000	9,000	9,000	9,000	9,000
Rentals	299,000	319,000	334,000	349,000	364,000
Payments In Lieu of Taxes	22,000	20,000	18,000	17,000	15,000
Refund of Prior Year Expenditure	7,000	7,000	7,000	7,000	7,000
Other Revenue	89,000	89,000	89,000	89,000	89,000
Totals	$3,151,000	$3,036,000	$2,975,000	$2,915,000	$2,857,000

F. - Other Financing Sources

Proceeds from the sale of notes represents receipts from the issuance of tax anticipation notes. In prior years the School District issued several short term notes. No other sale of notes is anticipated during the forecasted period.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, student workers and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay and payment in lieu of benefits. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by the Board of Education. Staffing levels decreased from 618 in fiscal year 2005 to 540 in fiscal year 2006 and increased to 543 in fiscal year 2007. There are no further staff changes anticipated for the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The certified contract covered the period August 27, 2003 to August 26, 2006 with an extension through August 27, 2007. Classified staff salaries are also based on negotiated contracts which include base and step increases. There are two contracts that cover classified staff salaries, one applies to OAPSE and Local #111 employees and the other contract applies to Local #100 employees. The OAPSE and Local #111 contract covers the period January 1, 2004 to June 30, 2007 with an extension through December 31, 2007. The Local #100 contract covered the period August 28, 2003 to August 27, 2006 with an extension through August 26, 2007.

The School District is forecasting a 1.1 percent increase in its base salary for both its certified and classified employees in fiscal year 2007 and a 2.0 percent increase every year for the remaining forecast period. During the forecast period, step increases averaging 2.5 percent are included. Other salaries and wages include attendance bonuses, board member salaries, and payments in lieu of benefits which are payments made to full time employees who choose not to take insurance benefits.

The School District offers severance pay to its retiring employees of one-fourth of their accumulated sick leave to a maximum pay out of fifty-one days for classified employees. For certified employees, a retiring employee receives one-fourth of their accumulated sick leave to a maximum pay out of fifty-one days as well as one-tenth of their accumulated sick leave beyond the fifty-one days to a maximum of an additional twelve days. For certain administrators, the maximum payout in days is determined by their individual contracts. Severance payments are anticipated to increase in fiscal year 2007 because the School District is paying severance for fiscal year 2005 and 2006. In fiscal year 2005, the School District did not have the funds to pay the full amount of the fiscal year 2005 certified retirees' severance. Instead, the School District is paying the fiscal year 2005 certified retirees' severance over a period of five years (fiscal year 2006–2010). In fiscal year 2008, severance payments are forecasted to increase due to a larger number of classified employees anticipated to retire. In fiscal years 2009 and 2010, severance payments are anticipated to remain the same as fiscal year 2008 because retirements are anticipated to remain constant. In fiscal year 2011, severance payments are forecasted to decrease because by January of 2010 the School District will have the fiscal year 2005 certified retirees' severance paid off.

Presented below is a comparison of salaries and wages for fiscal years 2007 through 2011.

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Certified Salaries	$18,183,000	$19,001,000	$19,856,000	$20,750,000	$21,684,000
Classified Salaries	4,525,000	4,728,000	4,941,000	5,163,000	5,396,000
Substitute Salaries	903,000	903,000	903,000	903,000	903,000
Supplemental Contracts	397,000	405,000	413,000	421,000	429,000
Severance Pay	237,000	266,000	266,000	266,000	200,000
Other Salaries and Wages	40,000	210,000	210,000	210,000	210,000
Totals	$24,285,000	$25,513,000	$26,589,000	$27,713,000	$28,822,000

B. Employees Retirement/Insurance Benefits

Employees retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers compensation, and other benefits arising from the negotiated agreements. Retirement costs are based on the School District's contribution rate of 14 percent of the salaries of STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. In addition to the employer's retirement contributions, the School District pays the employees' retirement contributions for the superintendent, 20 certified administrators, the treasurer, and 7 classified administrators. For the forecast period, the School District estimates retirement costs will increase consistent with the anticipated increase in salaries.

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

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior years. The premium for calendar year 2006, due in May 2007, increased to $.84 per hundred dollars of payroll from $.69 per hundred dollars of payroll for 2006. Workers' compensation is forecasted to increase in fiscal years 2008 through 2011 due to anticipated increases in salaries. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

Health care costs are based on the estimated claims and administrative charges for the School District's self-insured health care program. All funds, including the general fund are charged monthly payments based on the number of employees and the type of coverage provided to each employee. An employee's monthly charges are charged to the same fund that pays the employee's salary. The self-insured health care program includes health, dental, prescription, and life insurance. Fiscal year 2007, claims were forecasted based on an average monthly claims expense charged to the general fund. In fiscal year 2008, the District anticipates claims to increase by 22 percent. In fiscal years 2009 through 2011, claims are expected to increase by 14 percent each year based on information provided by the School District's third party administrator.

Presented below is a comparison of fiscal years 2007 through 2011.

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Employer's Retirement	$3,673,000	$3,627,000	$3,782,000	$3,939,000	$4,109,000
Medicare	264,000	276,000	289,000	301,000	315,000
Workers' Compensation	201,000	338,000	353,000	368,000	384,000
Health Insurance	4,731,000	5,772,000	6,579,000	7,501,000	8,551,000
Other Salaries and Wages	39,000	37,000	37,000	37,000	37,000
Totals	$8,908,000	$10,050,000	$11,040,000	$12,146,000	$13,396,000

C. - Purchased Services

Presented below is a comparison of forecasted purchased service expenditures for fiscal years 2007 through 2011:

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Professional and Technical Services	$525,000	$523,000	$461,000	$459,000	$517,000
Property Services	1,361,000	960,000	1,002,000	1,045,000	1,090,000
Travel and Meeting Expenses	70,000	72,000	74,000	77,000	79,000
Communication Costs	97,000	99,000	101,000	103,000	105,000
Utility Services	1,213,000	1,249,000	1,287,000	1,325,000	1,365,000
Tuition Payments	2,824,000	2,824,000	2,824,000	2,824,000	2,824,000
Pupil Transportation	40,000	40,000	40,000	40,000	40,000
Other Purchased Services	34,000	34,000	34,000	34,000	34,000
Totals	$6,164,000	$5,801,000	$5,823,000	$5,907,000	$6,054,000

Professional and technical services are forecasted to decrease during fiscal years 2009 and 2010 and then increase again in fiscal year 2011. This is because the School District will be in negotiations for employee contracts, which will increase legal costs. Property services increased in fiscal year 2007 because the School District cut out major repair projects in fiscal year 2006 to reduce spending. The School District does not anticipate major repair projects reoccurring in fiscal years 2008 through 2011. Travel and meeting expenses, communication costs and utility services are forecasted to increase three percent each year. Tuition payments, pupil transportation and other purchased services are forecasted to remain consistent over the forecast period.

D. - Supplies and Materials

Presented below is a comparison of forecasted supplies and materials expenditures for fiscal years 2007 through 2011:

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
General Supplies, Library Books and Periodicals	$310,000	$319,000	$329,000	$338,000	$349,000
Operations, Maintenance and Repair	265,000	273,000	281,000	290,000	298,000
Textbooks	235,000	242,000	249,000	257,000	264,000
Totals	$810,000	$834,000	$859,000	$885,000	$911,000

Supplies and materials were reduced to a very low level during fiscal year 2006 in order for the School District to cut costs. In fiscal year 2007, supplies and materials spending is being restored to the approximate spending level prior to the declaration of fiscal watch. Supplies and materials are forecasted to increase three percent each year for the remainder of the forecast period.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures for fiscal year 2007 are forecasted to be almost double the expenditures for fiscal year 2006. In fiscal year 2006 the School District did very few projects as they were trying to cut costs. For fiscal year 2008, capital outlay expenditures are expected to increase because of the purchase of two new buses. Capital outlay expenditures for fiscal years 2009 through 2011 are lower than fiscal year 2008 because only one bus will be replaced each year during this period.

F. – Debt Service

General fund supported debt consists of the following:

Issue	Issue Date	Maturity Date	Issue Amount	Interest Rate
School Facilities Loan	March 21, 2002	December 29, 2008	$620,000	4.19%
Phone System Loan	March 21, 2002	December 29, 2008	648,000	4.19%
Asbestos Loan	April 16, 1993	November 30, 2012	474,547	0.00%
Tax Anticipation Notes	June 17, 2005	December 1, 2010	3,100,000	4.27%

Principal and interest payments for general fund supported debt are as follows:

Fiscal Year	School Facilities Loan	Phone System Loan	Asbestos Loan	Tax Anticipation Notes	Interest	Total
2007	$89,000	$95,000	$26,000	$620,000	$141,000	$830,000
2008	89,000	100,000	26,000	620,000	106,000	835,000
2009	89,000	104,000	26,000	620,000	71,000	839,000
2010	0	0	26,000	620,000	40,000	646,000
2011	0	0	26,000	620,000	13,000	646,000
Total	$267,000	$299,000	$130,000	$3,100,000	$371,000	$3,796,000

All of the debt will be paid with property taxes from the general fund.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. These expenditures are forecasted to increase by three percent each year of the forecast period.

H. - Operating Transfers Out

The School District is forecasting $50,000 of transfers out each year during the forecast period to cover anticipated deficits in the food service fund.

Note 8 - Encumbrances

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

Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted to remain constant at $108,000 for fiscal years 2007 through 2011.

Note 9 - Reservations of Fund Balance

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

A. Textbooks and Instructional Materials

The fiscal year 2007 set aside is $761,000. There was a carryover of $434,000 in excess qualified expenditures from fiscal year 2006. The School District anticipates $561,000 in qualifying expenditures in fiscal year 2007, therefore, no reserve for textbooks and instructional materials is forecasted. The School District's set aside requirement is anticipated to range from $761,000 in fiscal year 2007 through $844,000 in fiscal year 2011. No reserve is anticipated until fiscal year 2009. There are reserves for fiscal years 2009, 2010 and 2011 because the set aside requirement is anticipated to increase each year and textbook expenditures decrease.

B. Capital and Maintenance Set-Aside

The set aside amount for fiscal year 2007 is $761,000. There was no carryover balance from fiscal year 2006. The School District anticipates $957,000 in qualifying expenditures during the current fiscal year; therefore, no reserve for capital and maintenance is forecasted for fiscal year 2007. The School District's set aside requirement is anticipated to range from $761,000 in fiscal year 2007 through $844,000 in fiscal year 2011. There are reserves for fiscal years 2008 through 2011 because the set aside requirement is anticipated to increase each year.

C. Bus Purchases

At June 30, 2006, the School District had $2,000 in unspent bus monies. The School District anticipates a $2,000 bus purchase allowance during fiscal year 2007. The School District anticipates no bus purchases in fiscal year 2007, leaving a reserve amount of $4,000. For fiscal years 2008 through 2011 the School District expects to purchase at least one bus per year so no reserve balance is forecasted for those years.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

The School District anticipates receiving $62,000 in restricted Poverty Based Assistance monies during fiscal year 2007. The School District anticipates spending all of the Poverty Based Assistance funding during the current fiscal year leaving a zero reserve balance. The School District anticipates spending the full amount of Poverty Based Assistance each fiscal year for 2008 through 2011 as well.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, amount, term, and election results are as follows:

Date	Type	Amount	Term	Election Results
November, 1996	Permanent Improvement	3.00 mills	5 Years	Failed
February, 1997	Permanent Improvement	3.00 mills	5 Years	Failed
May, 1997	Permanent Improvement	3.00 mills	5 Years	Failed
November, 1998	Operating	3.00 mills	5 Years	Passed
November, 1998	Bond Issue	.92 mills	5 Years	Passed
November, 2000	Operating	9.97 mills	5 Years	Passed
May, 2002	Operating	4.75 mills	5 Years	Failed
November, 2002	Operating	4.75 mills	5 Years	Passed
May, 2005	Operating	7.9 mills	5 Years	Passed
November, 2005	Renewal	9.97 mills	5 Years	Passed

Note 11 - Pending Litigation

There are currently no matters in litigation with the School District as defendant.

Note 12 – Cuyahoga Falls Benefits Self-Insurance Fund

The School District provides medical/surgical, prescription drug, vision and dental benefits through a self-insured program. Benefit Designs, a third party administrator, processes the claims. All funds make monthly payments to the self-insurance fund based on the number of employees and the type of coverage provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator. The fund purchase annual stop loss coverage for claims in excess of $100,000 per person and $2,000,000 for the School District as a whole. The School District anticipates the costs of claims to increase throughout the forecast period. The monthly charges to the various funds will also increase to cover the cost of claims and administrative charges and to maintain a positive cash fund balance.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CUYAHOGA FALLS CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 5, 2007