



Dave Yost • Auditor of State

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2017**

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SUMMIT COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate discretely presented component units 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Schnee Learning Center which represents 4 percent, 21 percent, and 13 percent, respectively, of the assets, fund balances, and revenues of the District's remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Schnee Learning Center, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Districts preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component units and the remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The other information-citizen centric report section presents additional analysis and is not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards (schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the other information-citizen centric report section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017. 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 2017 are as follows:

- In total, net position of governmental activities decreased \$6,203,244 from a net position of (\$57,900,553) to (\$64,103,797). This represents a 10.71% decrease from the net position at June 30, 2016.
- General revenues accounted for \$42,749,472 in revenue or 76.87% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$12,861,544 or 23.13% of total revenues of \$55,611,016.
- The District had \$61,814,260 in expenses related to governmental activities; only \$12,861,544 of these expenses were offset by program specific charges for services and sales or operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$42,749,472 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$49,902,221 in revenues and other financing sources and \$52,863,357 in expenditures. The general fund decreased \$2,961,136 from \$4,495,649 to \$1,534,513.

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 position* 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 Position 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 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows or resources, liabilities, deferred inflows of resources, 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, 2017
(UNAUDITED)

These two statements report the District's *net position* and changes in that net position. This change in net position 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 position and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, pupil, instructional staff, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-19 of this report.

The government-wide financial statements include not only Cuyahoga Falls City School District itself (known as the primary government), but also two legally separate entities for which the District is financially accountable. Financial information for the component units, Schnee Learning Center (the "Center") and Cuyahoga Falls Schools Foundation (the "Foundation") are reported separately from the financial information presented for the primary government itself. Separately issued financial statements can be obtained from the Treasurer of the Center at 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396. Separately issued financial statements for the Foundation can be obtained from the Treasurer of the Foundation at 961 Portage Trail, Cuyahoga Falls, OH 44221.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 13. 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* that 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 position 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 20-24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in one private-purpose trust fund. The District also acts in a trustee capacity as an agent for student managed activities. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-67 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70-76 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 34,372,179	\$ 34,154,625
Capital assets, net	<u>7,689,850</u>	<u>8,170,305</u>
Total assets	<u>42,062,029</u>	<u>42,324,930</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	17,286	29,489
Pension	<u>16,561,314</u>	<u>7,787,603</u>
Total deferred outflows of resources	<u>16,578,600</u>	<u>7,817,092</u>
<u>Liabilities</u>		
Current liabilities	5,838,911	5,746,516
Long-term liabilities:		
Due within one year	909,832	878,180
Due in more than one year:		
Net pension liability	87,766,079	71,713,999
Other amounts	<u>2,946,211</u>	<u>3,610,526</u>
Total liabilities	<u>97,461,033</u>	<u>81,949,221</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	25,098,408	21,535,930
Pensions	<u>184,985</u>	<u>4,557,424</u>
Total deferred inflows of resources	<u>25,283,393</u>	<u>26,093,354</u>
<u>Net Position</u>		
Net investment in capital assets	5,987,452	5,896,783
Restricted	747,262	755,100
Unrestricted	<u>(70,838,511)</u>	<u>(64,552,436)</u>
Total net position	<u>\$ (64,103,797)</u>	<u>\$ (57,900,553)</u>

During a previous fiscal year, the District adopted Governmental Accounting Standards Board ("GASB") Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements, prepared on an accrual basis of accounting, include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities plus deferred inflows or resources exceeded assets plus deferred outflows of resources by \$64,103,797.

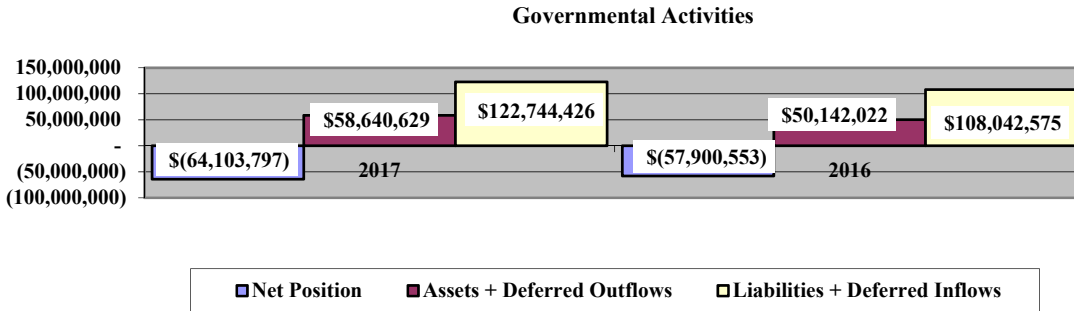
**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

At year-end, capital assets represented 18.28% of total assets. Capital assets include land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment, and vehicles. Net investment in capital assets was \$5,987,452. 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.

A portion of the District's net position, \$747,262, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position balance is (\$70,838,511).

The table below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and 2016.



The table below shows the change in net position for fiscal years 2017 and 2016.

	Change in Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 5,972,548	\$ 4,939,959
Operating grants and contributions	6,888,996	7,142,334
General revenues:		
Property taxes	24,172,303	27,645,764
Payment in lieu of taxes	269,802	-
Grants and entitlements	17,990,927	16,281,295
Investment earnings	35,092	13,084
Other	281,348	293,058
Total revenues	55,611,016	56,315,494

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 24,574,859	\$ 22,033,505
Special	9,156,850	8,038,247
Vocational	1,280,618	950,122
Other	4,317,456	4,451,789
Support services:		
Pupil	5,108,834	4,583,191
Instructional staff	1,636,716	1,728,712
Board of education	229,405	346,326
Administration	3,648,091	3,332,398
Fiscal	848,380	861,534
Business	79,361	233,997
Operations and maintenance	4,762,977	4,296,176
Pupil transportation	1,698,332	1,586,624
Central	21,250	72,565
Operations of non-instructional services:		
Other non-instructional services	1,109,247	952,212
Food service operations	1,891,650	1,875,270
Extracurricular activities	1,374,284	1,210,081
Interest and fiscal charges	<u>75,950</u>	<u>86,776</u>
Total expenses	<u>61,814,260</u>	<u>56,639,525</u>
Change in net position	<u>(6,203,244)</u>	<u>(324,031)</u>
Net position at beginning of year	<u>(57,900,553)</u>	<u>(57,576,522)</u>
Net position at end of year	<u><u>\$ (64,103,797)</u></u>	<u><u>\$ (57,900,553)</u></u>

Governmental Activities

Net position of the District's governmental activities decreased \$6,203,244. Total governmental expenses of \$61,814,260 were offset by program revenues of \$12,861,544 and general revenues of \$42,749,472. Program revenues supported 20.81% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.82% of the total governmental revenue. Real estate property is reappraised every six years. Property tax revenues decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Summit County Fiscal Officer. Tax advances available are recorded as revenue under accounting principles generally accepted in the United States of America (GAAP). The amount of tax advances available at June 30, 2017, 2016 and 2015 was \$2,856,858, \$6,285,111 and \$6,153,590, respectively. The amount of tax advance available at year-end can vary depending upon when the County Fiscal Officer distributes tax bills.

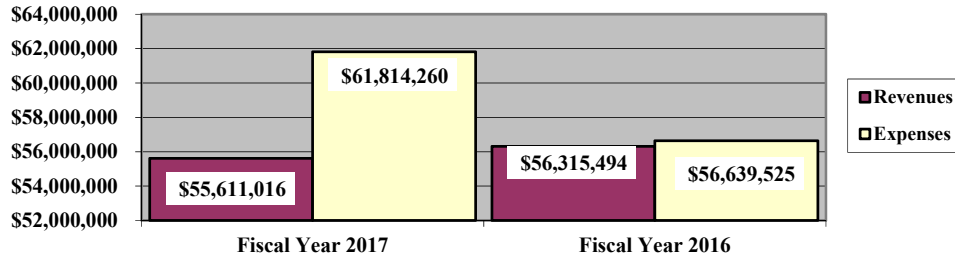
Overall expenses of the District increased \$5,174,735. Expenses increased due to wages and benefit increases throughout the District as well as costs related to the District's net pension liability.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 24,574,859	\$ 20,289,869	\$ 22,033,505	\$ 18,143,946
Special	9,156,850	5,326,735	8,038,247	4,414,293
Vocational	1,280,618	609,963	950,122	315,396
Other	4,317,456	4,048,825	4,451,789	4,206,354
Support services:				
Pupil	5,108,834	5,035,214	4,583,191	4,546,942
Instructional staff	1,636,716	1,630,030	1,728,712	1,720,567
Board of education	229,405	229,405	346,326	346,326
Administration	3,648,091	3,557,378	3,332,398	3,236,281
Fiscal	848,380	848,380	861,534	861,534
Business	79,361	79,361	233,997	233,997
Operations and maintenance	4,762,977	4,540,882	4,296,176	4,033,995
Pupil transportation	1,698,332	1,571,540	1,586,624	1,445,865
Central	21,250	(4,526)	72,565	62,417
Operations of non-instructional services:				
Other non-instructional services	1,109,247	93,652	952,212	894,943
Food service operations	1,891,650	71,887	1,875,270	106,265
Extracurricular activities	1,374,284	948,171	1,210,081	(98,665)
Interest and fiscal charges	75,950	75,950	86,776	86,776
Total expenses	<u>\$ 61,814,260</u>	<u>\$ 48,952,716</u>	<u>\$ 56,639,525</u>	<u>\$ 44,557,232</u>

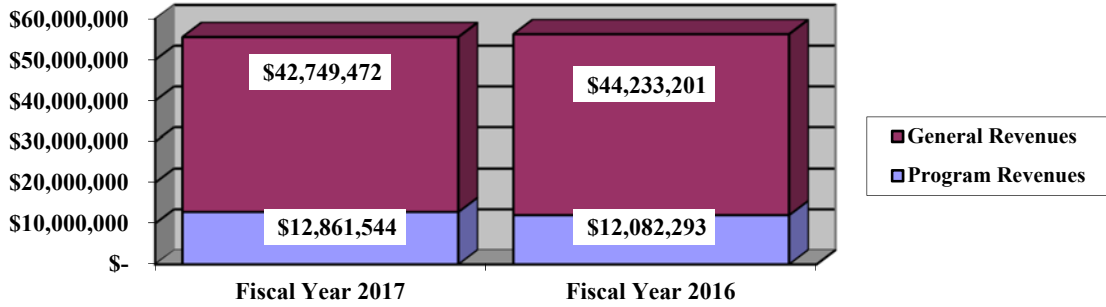
The dependence upon tax and other general revenues for governmental activities is apparent, as 76.98% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.19%. The District's taxpayers and unrestricted grants and entitlements are the primary support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$2,397,909, which is lower than last year's balance of \$5,685,001. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>
General	\$ 1,534,513	\$ 4,495,649	\$ (2,961,136)
Other Governmental	863,396	1,189,352	(325,956)
Total	<u>\$ 2,397,909</u>	<u>\$ 5,685,001</u>	<u>\$ (3,287,092)</u>

General Fund

During fiscal year 2017, the District's general fund balance decreased \$2,961,136 to a fund balance of \$1,534,513.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 23,699,065	\$ 27,186,219	\$ (3,487,154)	(12.83) %
Tuition	4,523,931	3,475,732	1,048,199	30.16 %
Earnings on investments	35,092	13,089	22,003	168.10 %
Intergovernmental	20,368,510	19,020,752	1,347,758	7.09 %
Other revenues	<u>1,040,180</u>	<u>669,675</u>	<u>370,505</u>	55.33 %
Total	<u>\$ 49,666,778</u>	<u>\$ 50,365,467</u>	<u>\$ (698,689)</u>	(1.39) %
<u>Expenditures</u>				
Instruction	\$ 35,027,510	\$ 33,509,746	\$ 1,517,764	4.53 %
Support services	16,410,674	16,638,320	(227,646)	(1.37) %
Non-instructional	1,179	1,449	(270)	(18.63) %
Extracurricular activities	900,985	807,717	93,268	11.55 %
Capital outlay	233,721	721,650	(487,929)	(67.61) %
Debt service	<u>289,288</u>	<u>222,862</u>	<u>66,426</u>	29.81 %
Total	<u>\$ 52,863,357</u>	<u>\$ 51,901,744</u>	<u>\$ 961,613</u>	1.85 %

Revenues of the general fund decreased \$698,689 or 1.39%. The most significant decrease was in the area of taxes which decreased \$3,487,154 or 12.83%. Property tax revenues decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Summit County Fiscal Officer. Tax advances available are recorded as revenue under accounting principles generally accepted in the United States of America (GAAP). The amount of tax advances available in the general fund at June 30, 2017, 2016 and 2015 was \$2,798,896, \$6,162,242 and \$6,026,198, respectively. The amount of tax advance available at year-end can vary depending upon when the County Fiscal Officer distributes tax bills. Tuition increased \$1,048,199 due to an increase in open enrollment in the District. Intergovernmental revenues increased \$1,347,758 due to an increase in State foundation money. This increase was the result of a new State budget which allocated more money to the District.

Expenditures of the general fund increased \$961,613 or 1.85%. The most significant increase was in the area of instruction which increased \$1,517,764. The increase in instruction was mostly due to an increase in costs related to wages and benefits. Capital outlay decreased \$487,929 due to the District entering into multiple capital agreements during fiscal year 2016 compared to only one in fiscal year 2017.

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 2017, the District did not amend its general fund budgeted revenues. For the general fund, original budgeted revenues and other financing sources of \$51,813,113 were increased to \$55,690,477 in the final budget. Actual revenues and other financing sources for fiscal year 2017 were \$53,105,624 which was \$1,292,511 more than budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$52,027,624 were increased to \$53,426,048 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$53,266,472. This amount was \$159,576 less than the final budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$7,689,850 invested in land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 1,321,765	\$ 1,321,765
Land improvements	472,405	546,451
Building and improvements	4,505,324	4,884,066
Improvements other than buildings	135,321	143,248
Furniture and equipment	559,064	443,068
Vehicles	695,971	831,707
Total	\$ 7,689,850	\$ 8,170,305

The overall decrease in capital assets of \$480,455 is due to depreciation expense of \$707,754 and disposals (net of accumulated depreciation) of \$49,070 exceeding additions of \$276,369.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$1,683,817 in general obligation bonds and capital leases outstanding. Of this total, \$770,209 is due within one year and \$913,608 is due in more than one year.

The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
Governmental obligation bonds	\$ 1,125,000	\$ 1,655,000
Capital Leases	558,817	586,825
Total	\$ 1,683,817	\$ 2,241,825

At June 30, 2017, the District had a voted debt margin of \$64,742,961 and an unvoted debt margin of \$727,614.

See Note 9 to the basic financial statements for detail on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Current Related Financial Activities

A challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Cuyahoga Falls Schools Foundation</u>	<u>Schnee Learning Center</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 5,180,754	\$ 825,833	\$ 36,144
Receivables:			
Property taxes	28,094,768	-	-
Payment in lieu of taxes	234,808	-	-
Accounts	852	-	-
Intergovernmental	285,138	-	63,611
Due from component unit	471,972	-	-
Prepayments	85,743	-	-
Materials and supplies inventory.	6,258	-	-
Inventory held for resale.	11,886	-	-
Capital assets:			
Nondepreciable capital assets	1,321,765	-	-
Depreciable capital assets, net.	6,368,085	-	6,233
Capital assets, net	<u>7,689,850</u>	<u>-</u>	<u>6,233</u>
Total assets.	<u>42,062,029</u>	<u>825,833</u>	<u>105,988</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	17,286	-	-
Pension - STRS	13,020,889	-	-
Pension - SERS	3,540,425	-	-
Total deferred outflows of resources	<u>16,578,600</u>	<u>-</u>	<u>-</u>
Liabilities:			
Accounts payable.	248,117	-	1,557
Accrued wages and benefits payable	4,778,776	-	-
Intergovernmental payable	118,450	-	85,989
Pension and postemployment benefits payable .	681,470	-	-
Accrued interest payable	12,098	-	-
Due to primary government	-	-	471,972
Long-term liabilities:			
Due within one year.	909,832	-	-
Due in more than one year:			
Net pension liability	87,766,079	-	-
Other amounts due in more than one year .	2,946,211	-	-
Total liabilities	<u>97,461,033</u>	<u>-</u>	<u>559,518</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	24,863,600	-	-
Payment in lieu of taxes levied for the next fiscal year	234,808	-	-
Pension - SERS.	184,985	-	-
Total deferred inflows of resources	<u>25,283,393</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	5,987,452	-	6,233
Restricted for:			
Debt service.	377,759	-	-
Locally funded programs	70,343	-	-
State funded programs.	32,701	-	-
Federally funded programs	4,081	-	-
Student activities	171,881	-	-
Food service operations	90,497	-	-
Unrestricted (deficit)	<u>(70,838,511)</u>	<u>825,833</u>	<u>(459,763)</u>
Total net position.	<u>\$ (64,103,797)</u>	<u>\$ 825,833</u>	<u>\$ (453,530)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 24,574,859	\$ 3,652,056	\$ 632,934	\$ (20,289,869)
Special	9,156,850	678,872	3,151,243	(5,326,735)
Vocational	1,280,618	428,378	242,277	(609,963)
Other	4,317,456	-	268,631	(4,048,825)
Support services:				
Pupil	5,108,834	46,332	27,288	(5,035,214)
Instructional staff	1,636,716	4,323	2,363	(1,630,030)
Board of education	229,405	-	-	(229,405)
Administration	3,648,091	3,685	87,028	(3,557,378)
Fiscal	848,380	-	-	(848,380)
Business	79,361	-	-	(79,361)
Operations and maintenance	4,762,977	190,719	31,376	(4,540,882)
Pupil transportation	1,698,332	29,774	97,018	(1,571,540)
Central	21,250	9,576	16,200	4,526
Operation of non-instructional services:				
Other non-instructional services	1,109,247	-	1,015,595	(93,652)
Food service operations	1,891,650	541,909	1,277,854	(71,887)
Extracurricular activities	1,374,284	386,924	39,189	(948,171)
Interest and fiscal charges	75,950	-	-	(75,950)
Total governmental activities	\$ 61,814,260	\$ 5,972,548	\$ 6,888,996	(48,952,716)
Component unit				
Cuyahoga Falls Schools Foundation	\$ 179,461	\$ -	\$ 261,706	\$ -
Schnee Learning Center	862,378	-	926,752	-
Total component units	\$ 1,041,839	\$ -	\$ 1,188,458	-
General revenues:				
Property taxes levied for:				
General purposes				23,683,810
Debt service				488,493
Payments in lieu of taxes				269,802
Grants and entitlements not restricted				
to specific programs				17,990,927
Investment earnings				35,092
Miscellaneous				281,348
Total general revenues				42,749,472
Change in net position				(6,203,244)
Net position at beginning of year				(57,900,553)
Net position at end of year				\$ (64,103,797)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Component Units	
Cuyahoga Falls Schools Foundation	Schnee Learning Center
\$ -	\$ -
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
82,245	-
-	64,374
82,245	64,374
-	-
-	-
-	-
-	-
8,942	-
-	6,879
8,942	6,879
91,187	71,253
734,646	(524,783)
\$ 825,833	\$ (453,530)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 4,273,945	\$ 906,809	\$ 5,180,754
Receivables:			
Property taxes.	27,532,539	562,229	28,094,768
Payment in lieu of taxes	233,518	1,290	234,808
Accounts	852	-	852
Intergovernmental.	285,138	-	285,138
Due from component unit	372,831	99,141	471,972
Prepayments.	81,039	4,704	85,743
Materials and supplies inventory.	-	6,258	6,258
Inventory held for resale.	-	11,886	11,886
Total assets	<u>\$ 32,779,862</u>	<u>\$ 1,592,317</u>	<u>\$ 34,372,179</u>
Liabilities:			
Accounts payable	\$ 169,763	\$ 78,354	\$ 248,117
Accrued wages and benefits payable	4,760,610	18,166	4,778,776
Compensated absences payable	40,231	-	40,231
Intergovernmental payable	114,749	3,701	118,450
Pension and postemployment benefits payable	657,468	24,002	681,470
Total liabilities.	<u>5,742,821</u>	<u>124,223</u>	<u>5,867,044</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	24,366,532	497,068	24,863,600
Payment in lieu of taxes levied for the next fiscal year.	233,518	1,290	234,808
Delinquent property tax revenue not available.	367,111	7,199	374,310
Intergovernmental revenue not available.	77,827	-	77,827
Miscellaneous revenue not available.	457,540	99,141	556,681
Total deferred inflows of resources	<u>25,502,528</u>	<u>604,698</u>	<u>26,107,226</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	6,258	6,258
Prepays.	81,039	4,704	85,743
Unclaimed monies	1,369	-	1,369
Restricted:			
Debt service	-	382,658	382,658
Food service operations	-	122,891	122,891
Non-public schools	-	16,501	16,501
Vocational education.	-	4,119	4,119
Other purposes.	-	86,543	86,543
Extracurricular activities	-	171,837	171,837
Committed:			
Capital improvements	-	67,558	67,558
Other purposes.	6,355	327	6,682
Assigned:			
Student instruction	71,852	-	71,852
Student and staff support.	400,258	-	400,258
Extracurricular activities	267	-	267
Uniform school supplies	69,658	-	69,658
Adult education	6,089	-	6,089
Other purposes.	73	-	73
Unassigned (deficit).	897,553	-	897,553
Total fund balances	<u>1,534,513</u>	<u>863,396</u>	<u>2,397,909</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 32,779,862</u>	<u>\$ 1,592,317</u>	<u>\$ 34,372,179</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total governmental fund balances		\$	2,397,909
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,689,850
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	374,310	
Intergovernmental receivable		77,827	
Miscellaneous receivable		556,681	
Total			1,008,818
Unamortized premiums on bonds issued are not recognized in the funds.			(35,867)
Unamortized amounts on refundings are not recognized in the funds.			17,286
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(12,098)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		16,561,314	
Deferred inflows of resources - pension		(184,985)	
Net pension liability		(87,766,079)	
Total			(71,389,750)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,125,000)	
Capital lease obligations		(558,817)	
Compensated absences		(2,096,128)	
Total			(3,779,945)
Net position of governmental activities		\$	(64,103,797)

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, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 23,699,065	\$ 488,364	\$ 24,187,429
Payment in lieu of taxes	269,183	619	269,802
Tuition	4,523,931	-	4,523,931
Transportation fees	29,774	-	29,774
Earnings on investments	35,092	41	35,133
Charges for services	-	555,215	555,215
Extracurricular	86,712	383,494	470,206
Classroom materials and fees	96,861	-	96,861
Rental income	177,102	-	177,102
Contributions and donations	951	-	951
Contract services	15,848	-	15,848
Other local revenues	363,749	94,692	458,441
Intergovernmental - state	20,368,510	1,105,673	21,474,183
Intergovernmental - federal	-	3,452,618	3,452,618
Total revenues	<u>49,666,778</u>	<u>6,080,716</u>	<u>55,747,494</u>
Expenditures:			
Current:			
Instruction:			
Regular	22,255,291	598,033	22,853,324
Special	7,577,970	1,117,989	8,695,959
Vocational	1,180,865	40,046	1,220,911
Other	4,013,384	268,630	4,282,014
Support services:			
Pupil	4,841,851	27,256	4,869,107
Instructional staff	1,548,604	2,559	1,551,163
Board of education	227,233	-	227,233
Administration	3,335,607	86,964	3,422,571
Fiscal	835,739	8,086	843,825
Business	84,941	-	84,941
Operations and maintenance	4,090,795	365,589	4,456,384
Pupil transportation	1,429,861	-	1,429,861
Central	16,043	-	16,043
Operation of non-instructional services:			
Other non-instructional services	1,179	1,092,007	1,093,186
Food service operations	-	1,838,608	1,838,608
Extracurricular activities	900,985	363,573	1,264,558
Facilities acquisition and construction	-	482	482
Capital outlay	233,721	-	233,721
Debt service:			
Principal retirement	261,729	530,000	791,729
Interest and fiscal charges	27,559	66,850	94,409
Total expenditures	<u>52,863,357</u>	<u>6,406,672</u>	<u>59,270,029</u>
Excess of expenditures over revenues	<u>(3,196,579)</u>	<u>(325,956)</u>	<u>(3,522,535)</u>
Other financing sources:			
Sale of capital assets	1,722	-	1,722
Capital lease transaction	233,721	-	233,721
Total other financing sources	<u>235,443</u>	<u>-</u>	<u>235,443</u>
Net change in fund balances	(2,961,136)	(325,956)	(3,287,092)
Fund balances at beginning of year	<u>4,495,649</u>	<u>1,189,352</u>	<u>5,685,001</u>
Fund balances at end of year	<u>\$ 1,534,513</u>	<u>\$ 863,396</u>	<u>\$ 2,397,909</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	(3,287,092)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 276,369	
Current year depreciation	<u>(707,754)</u>	
Total		(431,385)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(49,070)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(15,126)	
Miscellaneous	95,986	
Intergovernmental	<u>(239,275)</u>	
Total		(158,415)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	530,000	
Capital leases	<u>261,729</u>	
Total		791,729
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(233,721)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Change in accrued interest payable	5,343	
Amortization of bond premiums	25,319	
Amortization of deferred charges	<u>(12,203)</u>	
Total		18,459
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		4,299,063
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(7,204,993)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>52,181</u>
Change in net position of governmental activities	\$	<u>(6,203,244)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 27,287,000	\$ 28,904,737	\$ 27,530,443	\$ (1,374,294)
Payment in lieu of taxes.	75,000	281,209	269,183	(12,026)
Tuition.	3,834,000	4,727,216	4,425,806	(301,410)
Transportation fees.	30,000	31,835	29,774	(2,061)
Earnings on investments	13,000	35,019	35,092	73
Extracurricular.	37,500	17,509	1,069	(16,440)
Rental income	325,245	345,139	177,102	(168,037)
Other local revenues	98,000	243,702	151,313	(92,389)
Intergovernmental - state	19,807,368	21,005,565	20,224,251	(781,314)
Intergovernmental - federal	190,000	-	-	-
Total revenues	<u>51,697,113</u>	<u>55,591,931</u>	<u>52,844,033</u>	<u>(2,747,898)</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,802,345	22,325,320	22,305,878	19,442
Special.	7,170,615	7,566,122	7,516,409	49,713
Vocational.	918,895	1,030,264	1,139,259	(108,995)
Other.	4,184,753	4,183,076	4,031,492	151,584
Support services:				
Pupil.	4,698,385	4,673,900	4,859,741	(185,841)
Instructional staff	1,597,109	1,573,243	1,630,071	(56,828)
Board of education	296,027	342,770	275,478	67,292
Administration.	3,359,643	3,344,091	3,334,838	9,253
Fiscal	1,270,361	1,168,939	843,101	325,838
Business	110,859	110,352	98,476	11,876
Operations and maintenance.	4,083,583	4,206,174	4,231,246	(25,072)
Pupil transportation	1,535,958	1,704,495	1,629,552	74,943
Central.	56,941	56,715	12,423	44,292
Other operation of non-instructional services	1,201	1,191	1,179	12
Extracurricular activities.	870,949	864,772	889,298	(24,526)
Total expenditures	<u>51,957,624</u>	<u>53,151,424</u>	<u>52,798,441</u>	<u>352,983</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(260,511)</u>	<u>2,440,507</u>	<u>45,592</u>	<u>(2,394,915)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	116,000	98,546	259,869	161,323
Refund of prior year's receipts.	(70,000)	(274,624)	(468,031)	(193,407)
Sale of capital assets	-	-	1,722	1,722
Total other financing sources (uses)	<u>46,000</u>	<u>(176,078)</u>	<u>(206,440)</u>	<u>(30,362)</u>
Net change in fund balance	(214,511)	2,264,429	(160,848)	(2,425,277)
Fund balance at beginning of year	3,385,861	3,385,861	3,385,861	-
Prior year encumbrances appropriated	227,624	227,624	227,624	-
Fund balance at end of year	<u>\$ 3,398,974</u>	<u>\$ 5,877,914</u>	<u>\$ 3,452,637</u>	<u>\$ (2,425,277)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 36,158	\$ 117,488
Total assets.	<u>36,158</u>	<u>\$ 117,488</u>
Liabilities:		
Accounts payable.	-	\$ 3,819
Due to students.	-	113,669
Total liabilities	<u>-</u>	<u>\$ 117,488</u>
Net position:		
Held in trust for scholarships	<u>36,158</u>	
Total net position.	<u>\$ 36,158</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 437
Gifts and contributions	1,100
Total additions	1,537
Deductions:	
Scholarships awarded	3,000
Change in net position	(1,463)
Net position at beginning of year	37,621
Net position at end of year	\$ 36,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 147 non-certified and 390 certified full-time and part-time employees to provide services to 4,827 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.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, food service, 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 access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has two component units. The basic financial statements of the reporting entity include only those of the District (the primary government) and the following discretely presented component units.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

DISCRETELY PRESENTED COMPONENT UNITS

Schnee Learning Center (Center)

The Center is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is a conversion school with an objective to deliver a comprehensive educational program of high quality, tied to State and national standards for at-risk students, which can be delivered to students in grade 9 through grade 12. The Center is governed by a Board of Trustees. The Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Center, the Center's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Center, the Center is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Center at 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396.

Cuyahoga Falls Schools Foundation (Foundation)

The Foundation is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Foundation was set up to provide scholarships to eligible students of the District, provide grants to faculty members of the District and to provide the District with resources to complete special projects. The Foundation is governed by a Board of Trustees. Due to the Foundation's significant relationship with the District, the Foundation is reflected as a component unit of the District. Financial information can be obtained from the Treasurer of the Foundation at 961 Portage Trail, Cuyahoga Falls, OH 44221.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the Schnee Learning Center and the Cuyahoga Falls Schools Foundation component units can be found in Notes 17 and 18, respectively.

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

NEOnet was established as a jointly governed organization among sixteen school districts and the Summit County Educational Service Center that was formed July 1, 1995. NEOnet was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to improve administrative and instructional functions of member districts. NEOnet has since been restructured and organized as a council of governments (COG) under Ohio Revised Code 3301.075 and Chapter 167. The new COG is called the Metropolitan Regional Service Council (Council). The Council serves several program functions for the 27 school district members, such as NEOnet ITC functions and as a collaborative purchasing agent. The Council is self-supporting and conducts its fiscal services in house with a licensed treasurer.

The Council employs an Executive Director who works cooperatively with a nine-member Board of Directors consisting of four superintendents, the Portage Lakes Career Center superintendent, three members of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$251,424 to NEOnet.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 Hudson-Aurora Road, Hudson, Ohio 44236.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a Council of Governments comprised of 200 member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2017, the District paid \$216,753 to the Council for annual membership, life insurance premiums, property insurance and natural gas. Financial information can be obtained by contacting Greg Ring, Treasurer of the Greater Cleveland School Superintendents' Association, 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

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

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

The District also participates in the Council's life insurance program which was implemented during a previous fiscal year. This program allows school districts to purchase life insurance at reduced rates. Grady Enterprises began providing coverage for this program beginning January 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

PUBLIC ENTITY RISK POOL

Summit Regional Health Care Consortium

In July 2014, the District joined together with Wadsworth City School District, Barberton City School District, Copley-Fairlawn City School District, Norton City School District and Revere Local School District to establish a regional council of governments, organized under Chapter 167 of the Ohio Revised Code, known as the Summit Regional Health Care Consortium (SRHCC) for the purpose of promoting cooperative agreements and activities among its members in purchasing supplies and services and dealing with problems of mutual concern. The members of the SRHCC have undertaken a Health Benefits Program on a cooperative basis for the provision of certain medical, hospitalization, dental, prescription drug, vision, life, and disability income benefits for their employees and the eligible dependents of those employees, and any other health care benefits which the members may determine. As part of this agreement, each member is required to share in the program costs by making monthly payments to cover the program costs. The Treasurer of the fiscal agent (Copley-Fairlawn City School District) serves as the Treasurer of the SHRCC and is responsible for coordinating and administering the Health Benefits Program.

The Health Benefits Program is governed by the Board of Directors of the SHRCC (Board), which consists of one designee by each member school district (with at least one Superintendent designee), and the representative of the fiscal agent or designee. The fiscal agent Treasurer and program consultant shall serve as non-voting members. The SRHCC representatives and the fiscal agent Treasurer's representative shall serve a two-year term of office. The officers consist of a Chairperson and Vice-Chairperson who are elected for one year terms by the Board. The fiscal agent Treasurer shall be a permanent member of the Board and shall serve as the Recording Secretary.

In the event of withdrawal, members are entitled to recover its contributions to the SRHCC, if any, along with the proportionate share of interest earned on these contributions which are not encumbered for payment of its share of program costs. Claims submitted by covered persons of a withdrawing member after the recovery of funds will be exclusively the liability of the withdrawing member. Financial information for the SRHCC can be obtained from John Wheadon, Treasurer of the Copley-Fairlawn City School District at 3797 Ridgewood Road, Copley, Ohio 44321-1665.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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, 2017

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

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 2017, the District had an agency fund that accounts for student managed activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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.

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. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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, rentals, tuition, grants and student fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 11 for deferred outflows of resources related to the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 11 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 inter-governmental 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.

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 2017 is as follows.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

During fiscal year 2017, investments were limited to 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.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$35,092 which includes \$10,240 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. Prepayments

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

H. Inventory

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food. On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

I. 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 position, but are not reported in the fund financial statements.

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 acquisition 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 40 years
Improvements other than buildings	10-20 years
Furniture and equipment	5 - 30 years
Vehicles	5 years

J. 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 position. The District had no interfund loans at June 30, 2017.

K. Compensated Absences

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

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

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, 2017

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.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

N. 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.

O. Bond Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Deferred Charges on Debt Refundings

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 19); however, there was no effect on beginning net position/fund balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 two-hundred-seventy days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate notes rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$2,839,319. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,695,630 of the District's bank balance of \$2,961,888 was exposed to custodial credit risk as discussed below, while \$1,266,258 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Amortized Cost:		
STAR Ohio	<u>\$ 2,494,581</u>	<u>\$ 2,494,581</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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District has no policy dealing with credit risk beyond the requirements of State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized Cost:		
STAR Ohio	<u>\$ 2,494,581</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,839,319
Investments	2,494,581
Cash on hand	500
Total	\$ 5,334,400
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,180,754
Private-purpose trust funds	36,158
Agency funds	117,488
Total	\$ 5,334,400

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$2,798,896 in the general fund and \$57,962 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$6,162,242 in the general fund and \$122,869 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 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 deferred inflows.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 729,220,870	99.43	\$ 723,153,210	99.39
Public utility personal	<u>4,201,890</u>	<u>0.57</u>	<u>4,461,270</u>	<u>0.61</u>
Total	<u>\$ 733,422,760</u>	<u>100.00</u>	<u>\$ 727,614,480</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$69.08		\$69.08	
Bond retirement	0.83		0.87	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, payment in lieu of taxes, accounts, intergovernmental grants and entitlements and amounts due from component units. 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 with the exception of the amount due from Schnee Learning Center which has a going concern.

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

Governmental activities:

Property taxes	\$ 28,094,768
Payment in lieu of taxes	234,808
Accounts	852
Intergovernmental	285,138
Due from component unit	<u>471,972</u>
Total	<u>\$ 29,087,538</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year with the exception of the amount due from Schnee Learning Center which has a going concern.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,321,765	\$ -	\$ -	\$ 1,321,765
Total capital assets, not being depreciated	<u>1,321,765</u>	<u>-</u>	<u>-</u>	<u>1,321,765</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,743,296	-	-	2,743,296
Buildings and improvements	23,667,659	6,000	-	23,673,659
Improvements other than buildings	158,533	-	-	158,533
Furniture and equipment	1,876,291	247,335	(163,562)	1,960,064
Vehicles	<u>1,941,119</u>	<u>23,034</u>	<u>-</u>	<u>1,964,153</u>
Total capital assets, being depreciated	<u>30,386,898</u>	<u>276,369</u>	<u>(163,562)</u>	<u>30,499,705</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,196,845)	(74,046)	-	(2,270,891)
Buildings and improvements	(18,783,593)	(384,742)	-	(19,168,335)
Improvements other than buildings	(15,285)	(7,927)	-	(23,212)
Furniture and equipment	(1,433,223)	(82,269)	114,492	(1,401,000)
Vehicles	<u>(1,109,412)</u>	<u>(158,770)</u>	<u>-</u>	<u>(1,268,182)</u>
Total accumulated depreciation	<u>(23,538,358)</u>	<u>(707,754)</u>	<u>114,492</u>	<u>(24,131,620)</u>
Governmental activities capital assets, net	<u>\$ 8,170,305</u>	<u>\$ (431,385)</u>	<u>\$ (49,070)</u>	<u>\$ 7,689,850</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 278,884
Special	1,751
Vocational	927

Support services:

Pupil	1,838
Instructional staff	1,732
Administration	1,487
Business	2,299
Operations and maintenance	147,998
Pupil transportation	193,906
Central	5,176

Operation of non-instructional services:

Other non-instructional services	16,061
Food service operations	5,809
Extracurricular activities	<u>49,886</u>
Total depreciation expense	<u>\$ 707,754</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During the current and in a prior fiscal year, the District entered into capitalized leases for copier equipment, buses, a Bobcat, two mowers and a trailer. These lease agreements meet the criteria of capital lease 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 and vehicles have been capitalized in the amount of \$955,371. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 for equipment and vehicles was \$97,860, leaving a current book value of \$857,511. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2017 totaled \$261,729 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, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 239,970
2019	239,969
2020	59,532
2021	52,927
2022	<u>4,410</u>
Total minimum lease payments	596,808
Less: Amount representing interest	<u>(37,991)</u>
Total	<u>\$ 558,817</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2017, the following activity occurred in governmental activities long-term obligations.

	<u>Interest</u>	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>June 30, 2016</u>			<u>June 30, 2017</u>	<u>Due in</u>
						<u>One Year</u>
General Obligation Bonds:						
2009 refunding bonds	3.00 - 5.00%	\$ 1,655,000	\$ -	\$ (530,000)	\$ 1,125,000	\$ 550,000
Total General Obligation Bonds		<u>1,655,000</u>	<u>-</u>	<u>(530,000)</u>	<u>1,125,000</u>	<u>550,000</u>
Other Long-term Obligations:						
Capital lease obligation		586,825	233,721	(261,729)	558,817	220,209
Net pension liability		71,713,999	16,052,080	-	87,766,079	-
Compensated absences		<u>2,185,695</u>	<u>261,544</u>	<u>(310,880)</u>	<u>2,136,359</u>	<u>139,623</u>
Total Other Long-term Obligations		<u>74,486,519</u>	<u>16,547,345</u>	<u>(572,609)</u>	<u>90,461,255</u>	<u>359,832</u>
Total		<u>\$ 76,141,519</u>	<u>\$ 16,547,345</u>	<u>\$ (1,102,609)</u>	<u>\$ 91,586,255</u>	<u>\$ 909,832</u>
				Add: Unamortized premium on bond issue	<u>35,867</u>	
				Total on statement of net position	<u>\$ 91,622,122</u>	

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Series 2009 Refunding General Obligation Bonds: On October 29, 2009, the District issued general obligation bonds (Series 2009 Refunding Bonds) to advance refund the callable portion of the Series 1999 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 1999 current interest bonds at June 30, 2016, is \$1,160,000.

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

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

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

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 8 for details.

Net Pension Liability: See Note 11 for details.

Compensated Absences: Compensated absences included severance and vacation 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).

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

Fiscal Year Ending June 30,	2009 Refunding Bonds		
	Principal	Interest	Total
2018	\$ 550,000	\$ 42,500	\$ 592,500
2019	575,000	14,375	589,375
Total	<u>\$ 1,125,000</u>	<u>\$ 56,875</u>	<u>\$ 1,181,875</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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, 2017, are a voted debt margin of \$64,742,961 (including available funds of \$382,658) and an unvoted debt margin of \$727,614.

NOTE 10 - RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through a commercial carrier. Indiana Insurance settled claims have not exceeded this commercial coverage in any of the past three years. The District purchases liability, property and fleet insurance through Ohio Schools Council.

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 - District	\$139,447,855	\$5,000
Property Insurance - Schnee	5,781,270	25,000
Liability Insurance	1,000,000/2,000,000	0/0
Fleet Insurance	1,000,000	0
Collision	A.C.V.	1,000

B. Health Insurance

On July 1, 2014, the District joined the Summit Regional Health Care Consortium (SRHCC) Health Benefits Program, a public entity risk pool, to provide employee hospitalization, dental, prescription drug and life. Premium rates are set or determined by the Board of Directors of the SRHCC. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each member of the SRHCC may require contributions from its employees toward the cost of any benefit program being offered by the District and such contributions shall be included in the payments from the District to the fiscal agent of the SRHCC. The District pays a monthly premium to the SRHCC. Because the District is a member of the SRHCC and the SRHCC holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$942,752 for fiscal year 2017. Of this amount, \$32,071 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,356,311 for fiscal year 2017. Of this amount, \$537,320 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.218026%	0.21446996%	
Proportion of the net pension liability current measurement date	<u>0.2137739%</u>	<u>0.21545655%</u>	
Change in proportionate share	<u>-0.00425210%</u>	<u>0.00098659%</u>	
Proportionate share of the net pension liability	\$ 15,646,277	\$ 72,119,802	\$ 87,766,079
Pension expense	\$ 1,591,724	\$ 5,613,269	\$ 7,204,993

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 211,031	\$ 2,913,985	\$ 3,125,016
Net difference between projected and actual earnings on pension plan investments	1,290,591	5,987,881	7,278,472
Changes of assumptions	1,044,475	-	1,044,475
Difference between District contributions and proportionate share of contributions/ change in proportionate share	51,576	762,712	814,288
District contributions subsequent to the measurement date	<u>942,752</u>	<u>3,356,311</u>	<u>4,299,063</u>
Total deferred outflows of resources	<u>\$ 3,540,425</u>	<u>\$ 13,020,889</u>	<u>\$ 16,561,314</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 184,985</u>	<u>\$ -</u>	<u>\$ 184,985</u>
Total deferred inflows of resources	<u>\$ 184,985</u>	<u>\$ -</u>	<u>\$ 184,985</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$4,299,063 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 593,332	\$ 1,644,786	\$ 2,238,118
2019	592,403	1,644,785	2,237,188
2020	855,961	3,942,499	4,798,460
2021	<u>370,992</u>	<u>2,432,508</u>	<u>2,803,500</u>
Total	<u>\$ 2,412,688</u>	<u>\$ 9,664,578</u>	<u>\$ 12,077,266</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 20,714,696	\$ 15,646,277	\$ 11,403,800

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 95,841,356	\$ 72,119,802	\$ 52,109,272

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's net pension liability is expected to be significant.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$112,079.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$112,079, \$107,597, and \$161,686, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - 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:

	<u>General fund</u>
Budget basis	\$ (160,848)
Net adjustment for revenue accruals	(3,588,993)
Net adjustment for expenditure accruals	(186,421)
Net adjustment for other sources/uses	441,883
Funds budgeted elsewhere	124,250
Adjustment for encumbrances	<u>408,993</u>
GAAP basis	<u>\$ (2,961,136)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund, the adult education fund, the internal services rotary fund, the public school support fund, the intra-district services fund, the employee benefits agency fund and the unclaimed monies fund.

NOTE 14 - 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE's final FTE adjustment did not have a material impact on the District's financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	848,442
Current year qualifying expenditures	(738,933)
Prior year offset from bond proceeds	<u>(109,509)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

The District had current year expenditures and prior year offset from bond proceeds that reduced the capital improvements set-aside amount to zero. During fiscal year 1999, the District issued \$8,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$7,692,622 at June 30, 2017.

NOTE 16 - OTHER COMMITMENTS

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 379,634
Other governmental	<u>52,237</u>
Total	<u>\$ 431,871</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 conversion school in Cuyahoga Falls City School District (the “Sponsor”) addressing the needs of students in grades 9-12. The Center, which is part of the State’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center, as part of the Sponsor District, is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61 due to the significant services provided by the District to the Center, the Center’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Center.

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

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On July 1, 2015, the Center renewed the contract with the Sponsor for an additional five year period, which will expired June 30, 2020. 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 102.91 students during fiscal year 2017.

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

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 Cuyahoga County ESC. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2016 through June 30, 2017 can be found in Note 17.F and Note 17.G.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

A. Summary of Significant Accounting Policies

The basic financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The more significant of the Center's accounting policies are described below.

Basis of Presentation - The Center's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the changes in net position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used 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 Chapter 5705 (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided for in the Center's sponsorship agreement. The contract between the Center and its Sponsor requires a detailed budget for each year of the contract; however the budget does not have to follow the provisions of the Ohio Revised Code Section 5705.

Cash and Cash Equivalents - Cash received by the Center is reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position. The Center did not have any investments during the period ended June 30, 2017.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

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. Software is depreciated over three years.

Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.

Intergovernmental Revenues - The Center currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which 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 first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the Center recorded \$816,588 this fiscal year from the Foundation Program and \$108,364 from Federal grants and other intergovernmental sources.

Net Position - Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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. Non exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. 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 Center must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Center on a reimbursement basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

Deferred Inflows and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School that is applicable to a future reporting period. Other revenues received in advance of the fiscal year for which they were intended to finance, are recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met due at June 30, 2017 are recorded as deferred inflows. Receivables that will not be collected within the available period have been reported as deferred inflows of resources. The Center has no deferred inflows and has no deferred outflows of resources at June 30, 2017.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the Center. For the Center, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2017.

Implementation of New Accounting Principles - For the fiscal year ended June 30, 2017, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14 and GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Center.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Center.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Center.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Center's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

B. Cash and Cash Equivalents

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

At June 30, 2017, the carrying amount of the Center's deposits was \$36,144. Based upon the criteria described in GASB Statement No. 40, all of the Center's bank balance of \$53,210 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Center had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2017, none of the bank balance was exposed to custodial credit risk.

C. Capital Assets

	Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>
<i>Capital assets being depreciated:</i>				
Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Software	<u>206,976</u>	<u>-</u>	<u>-</u>	<u>206,976</u>
Total capital assets being depreciated	<u>213,101</u>	<u>-</u>	<u>-</u>	<u>213,101</u>
<i>Less: accumulated depreciation</i>				
Equipment	(6,125)	-	-	(6,125)
Software	<u>(194,511)</u>	<u>(6,232)</u>	<u>-</u>	<u>(200,743)</u>
Total accumulated depreciation	<u>(200,636)</u>	<u>(6,232)</u>	<u>-</u>	<u>(206,868)</u>
Net capital assets	<u>\$ 12,465</u>	<u>\$ (6,232)</u>	<u>\$ -</u>	<u>\$ 6,233</u>

D. Risk Management

Property and Liability - 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 employees; and natural disasters. During the fiscal year ending June 30, 2017, the Center contracted with the Indiana Insurance Company for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate coverage.

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

E. Contingencies

Grants - The Center received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Center, any such adjustments will not have a material adverse effect on the financial position of the Center.

Litigation - There are currently no matters in litigation with the Center as defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

Full-Time Equivalency - School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the Center's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Center.

F. Sponsor and Related Party Transactions

During the fiscal year, the Center contracted with Cuyahoga Falls City School District for sponsor and oversight services as required by law. Sponsorship fees were calculated at 3% of per pupil funding received from the State of Ohio and equaled \$23,454 during 2017. In addition, the Center had expenses due to the District for rent, utilities, staffing and reimbursement of other miscellaneous expenses from the current year, as well as, past years. As of June 30, 2017, the total amount due to the District was \$471,972 and is shown on the Statement of Net Position as "Due to Primary Government".

G. Purchased Services

For the fiscal year ended June 30, 2017, purchased services expenses were as follows:

Professional and technical services	\$ 680,748
Property services	137,372
Travel and meetings	958
Miscellaneous	<u>7,758</u>
Total	<u>\$ 826,836</u>

Purchased services include amounts paid to Cuyahoga County Educational Service Center for staffing services in the amount of \$555,479.

H. Going Concern

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which contemplates continuation of the Center as a going concern.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 17 - SCHNEE LEARNING CENTER - (Continued)

The Center had an increase in net position of \$71,253, and current liabilities exceeded current assets and capital assets by \$453,530 during fiscal year 2017. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.

NOTE 18 - CUYAHOGA FALLS SCHOOLS FOUNDATION

The Cuyahoga Falls Schools Foundation (the "Foundation") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide scholarships to eligible students of the District, provide grants to faculty members of the District and to provide the District with resources to complete special projects. The Foundation is governed by a Board of Trustees. The economic resources received by the Foundation are entirely or almost entirely for the direct benefit of the government, its component units, or its constituents (staff and students 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 and GASB Statement No. 61.

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.

NOTE 19 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Cuyahoga Falls (the "City") has established Community Reinvestment Areas (CRAs) that give the City the ability to attract, retain and expand businesses located in the City. Residential abatements are provided to encourage investment in certain areas of the City where repair of existing structures or construction of new structures has been discouraged. Pursuant to the Ohio Revised Code Chapter 5709, the City established three (3) Community Reinvestment Areas. The areas were created after 1994. The City provides both commercial and residential abatements under certain circumstances outlined in the legislation. Under the agreements, the property owners' property taxes assessed to the District have been abated. During fiscal year 2017, the District's property taxes were reduced by \$463,597.

NOTE 20 - SUBSEQUENT EVENTS

On February 27, 2018, the Board approved to end the Sponsorship Agreement with Schnee Learning Center.

Justin Klingshirn resigned as Treasurer effective March 16, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.21377390%	0.21802600%	0.21605000%	0.21605000%
District's proportionate share of the net pension liability	\$ 15,646,277	\$ 12,440,775	\$ 10,934,167	\$ 12,847,800
District's covered-employee payroll	\$ 6,594,507	\$ 6,563,718	\$ 6,278,001	\$ 6,235,773
District's proportionate share of the net pension liability as a percentage of its covered payroll	237.26%	189.54%	174.17%	206.03%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.21545655%	0.21446996%	0.21134485%	0.21134485%
District's proportionate share of the net pension liability	\$ 72,119,802	\$ 59,273,224	\$ 51,406,382	\$ 61,234,946
District's covered-employee payroll	\$ 22,694,914	\$ 22,376,343	\$ 21,593,608	\$ 21,636,977
District's proportionate share of the net pension liability as a percentage of its covered payroll	317.78%	264.89%	238.06%	283.01%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 942,752	\$ 923,231	\$ 865,098	\$ 870,131
Contributions in relation to the contractually required contribution	<u>(942,752)</u>	<u>(923,231)</u>	<u>(865,098)</u>	<u>(870,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,733,943	\$ 6,594,507	\$ 6,563,718	\$ 6,278,001
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 863,031	\$ 819,801	\$ 778,708	\$ 827,354	\$ 596,305	\$ 581,081
<u>(863,031)</u>	<u>(819,801)</u>	<u>(778,708)</u>	<u>(827,354)</u>	<u>(596,305)</u>	<u>(581,081)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,235,773	\$ 6,095,175	\$ 6,194,972	\$ 6,110,443	\$ 6,060,010	\$ 5,917,322
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,356,311	\$ 3,177,288	\$ 3,132,688	\$ 2,807,169
Contributions in relation to the contractually required contribution	<u>(3,356,311)</u>	<u>(3,177,288)</u>	<u>(3,132,688)</u>	<u>(2,807,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,973,650	\$ 22,694,914	\$ 22,376,343	\$ 21,593,608
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,812,807	\$ 2,792,082	\$ 2,904,311	\$ 2,898,511	\$ 2,818,297	\$ 2,712,618
<u>(2,812,807)</u>	<u>(2,792,082)</u>	<u>(2,904,311)</u>	<u>(2,898,511)</u>	<u>(2,818,297)</u>	<u>(2,712,618)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,636,977	\$ 21,477,554	\$ 22,340,854	\$ 22,296,238	\$ 21,679,208	\$ 20,866,292
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**OTHER INFORMATION -
CITIZEN CENTRIC REPORT**

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TREASURER'S OFFICE of the CUYAHOGA FALLS CITY SCHOOL DISTRICT



SCHOOL INFORMATION AND DEMOGRAPHICS

The Cuyahoga Falls City School District is 10 square miles and located in Summit County and is approximately 5 miles north of Akron and 35 miles south of Cleveland. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. The District currently operates 9 school buildings: one high school (grades 9-12), two middle schools (grades 6-8) and six elementary schools (K-5). In FY 2016-17, Cuyahoga Falls City School District averaged 4,827 students.

The first official body designated as the Cuyahoga Falls Board of Education was formed on April 18, 1853. At that time, both the township and school district of Cuyahoga Falls were formalized with school enrollment at 482 students.

According to the United States Census Bureau's 2010 Census, the District's population of 49,652 residents includes 23,859 housing units of which 26.1 percent had children. The median age in Cuyahoga Falls is 39.4.

Cuyahoga Falls CSD receives the majority of its revenues from property taxes, which comprise approximately 59 percent of its total operating revenue, excluding revenues related to notes, transfers, and advances.

Cuyahoga Falls CSD has three continuing operating levies (levies are voted tax on property that is collected to support the district) and three 5-year operating levies (require a renewal vote every 5 years) totaling 36.0 outside mills. One mill is equal to 1/1,000th of assessed property value (\$740,000,000). The continuing operating levies were passed in 1976, 1983, and 1998 and generate 13.67 mills or 37.97 percent of the local tax revenue. The 5-year operating levies need to be voter approved every 5 years to continue to receive the same amount of property tax revenue year to year. The 5-year operating levies were approved in 2002, 2005, and 2011 and generate 22.33 mills or 62.03 percent of the local tax revenue.

The District employs 147 non-teaching and 390 certificated full-time and part-time employees to provide services to 4,827 students in grades K through 12 and various community groups.

On May 2, 2017 voters approved to renew the 4.75 operating levy with a vote of 2,048 to 633 against. This resulted in one of the largest approvals for a renewal with 76.39 percent of the vote in favor.

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- School Information and Demographics. . Page 1
- Building on the Positive FY 2017 Page 2
- Fiscal Year 2017 Financial Data Page 3
- Challenges and Economic Outlook. Page 4

OUR VISION

The Cuyahoga Falls City School District Treasurers Office is responsible for ensuring that all financial transactions related to the District are properly accounted for and expended in accordance with leading practices, applicable laws, and Board policy. The Treasurer's Office will continue with efforts to enhance financial transparency to better serve the citizens of Cuyahoga Falls.

District Quick Facts

- 49,652 residents
- 23,859 housing units
- 22,250 households
- 26.1% of households with children
- 39.4 median age

Building on the Positive

Continuing on the positive momentum created by its citizens, district administration and the Board of Education quickly shifted their efforts to reducing expenditures. Working in collaboration with one another, the District finished the year with revenues over expenditures on a cash basis. By comparison, the District anticipated to transfer money from its cash reserve in the amount of \$652,918. By making sound financial decisions and working with all district employees to help understand our financial footing, the District was able to finish FY 2016-2017 with a positive balance of \$248,147 despite receiving the lowest per pupil revenue.

Lastly, the Treasurer’s Office received the Auditor of State Award in FY 2015-2016. This was received for:

- A timely filing of financial reports to the Auditor of

States office in accordance with GAAP (Generally Accepted Accounting Principles)

- The audit report does not contain any findings for recovery, material citations, material weaknesses, significant deficiencies, Single Audit findings or questioned costs
- The management letter contains no comments related to ethics referrals, questioned costs less than \$10,000, lack of timely report submission, reconciliation, failure to obtain a timely Single Audit, findings for recovery less than \$100, public meetings or public records
- There are no other financial or other concerns

Full audit: [https://ohioauditor.gov/auditsearch/Reports/2017/Cuyahoga Falls_CSD_16-Summit.pdf](https://ohioauditor.gov/auditsearch/Reports/2017/Cuyahoga_Falls_CSD_16-Summit.pdf)

Full 5-year forecast with assumptions:

<http://www.cfalls.org/docs/district/depts/14/october%202017%20five-year%20forecast%20and%20assumptions.pdf?id=11456>

LOCAL AND STATE REVENUE PER PUPIL

Ranking	DISTRICT IN SUMMIT COUNTY	Total Local Revenue per Pupil	Total State Revenue per Pupil	Total Revenue per Pupil
1	Revere Local SD	\$14,180.33	\$615.96	\$14,796.29
2	Hudson City SD	\$10,983.36	\$2,286.80	\$13,270.16
3	Coventry Local SD	\$9,232.94	\$3,650.67	\$12,883.61
4	Akron City SD	\$5,116.96	\$7,237.42	\$12,354.38
5	Mogadore Local SD	\$6,900.24	\$5,378.81	\$12,279.05
6	Copley-Fairlawn City SD	\$11,797.86	\$416.62	\$12,214.48
7	Manchester Local SD	\$7,972.65	\$3,743.93	\$11,716.58
8	Woodridge Local SD	\$11,010.12	\$697.39	\$11,707.51
9	Nordonia Hills City SD	\$10,433.18	\$1,087.29	\$11,520.47
10	Stow-Munroe Falls City SD	\$8,652.03	\$2,609.54	\$11,261.57
11	Barberton City SD	\$3,937.72	\$7,293.60	\$11,231.32
12	Tallmadge City SD	\$7,173.84	\$3,185.70	\$10,359.54
13	Springfield Local SD	\$6,575.54	\$3,713.28	\$10,288.82
14	Green Local SD	\$7,037.91	\$3,195.33	\$10,233.24
15	Twinsburg City SD	\$8,857.31	\$1,175.81	\$10,033.12
16	Norton City SD	\$5,687.76	\$4,338.42	\$10,026.18
17	Cuyahoga Falls City SD	\$6,871.37	\$3,035.62	\$9,906.99
	Local Average	8,471.86	3,164.16	11,636.02
	Difference	(1,600.48)	(128.54)	(1,729.03)

As shown in the Table, Cuyahoga Falls receives the lowest combined local and State revenue per pupil in Summit County. By comparison, Cuyahoga Falls receives \$1,600.48 less per student in local revenue and \$128.54 less per student in State revenue for a total of \$1,729.03 per pupil. This equates to approximately \$825,000 less in revenue compared to the Summit County average.

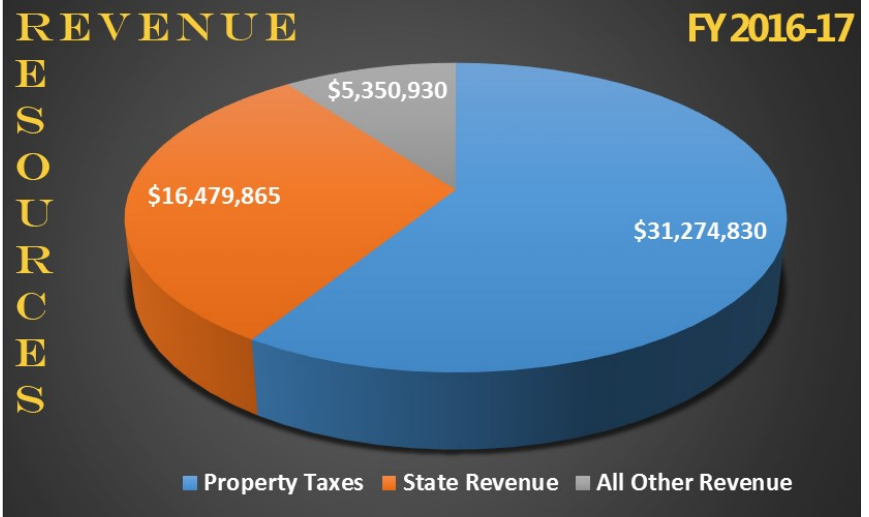
Year	Revenue per Student	Expenditure per Student	Results of Operations (per student)
FY 2013	\$9,633	\$9,539	\$94
FY 2014	\$9,712	\$9,705	\$7
FY 2015	\$10,210	\$10,187	\$23
FY 2016	\$10,379	\$10,596	(\$217)
FY 2017	\$10,905	\$10,854	\$51

Despite Cuyahoga Falls Schools receiving the lowest revenue per pupil in Summit County, the District was able to operate four of the last five years with positive results of operations by making meaningful business decisions to offset increasing expenditures.

* **Note:** Revenue per student includes all other operating revenues (casino, open enrollment, excess cost).

Fiscal Year 2017 Financial Data

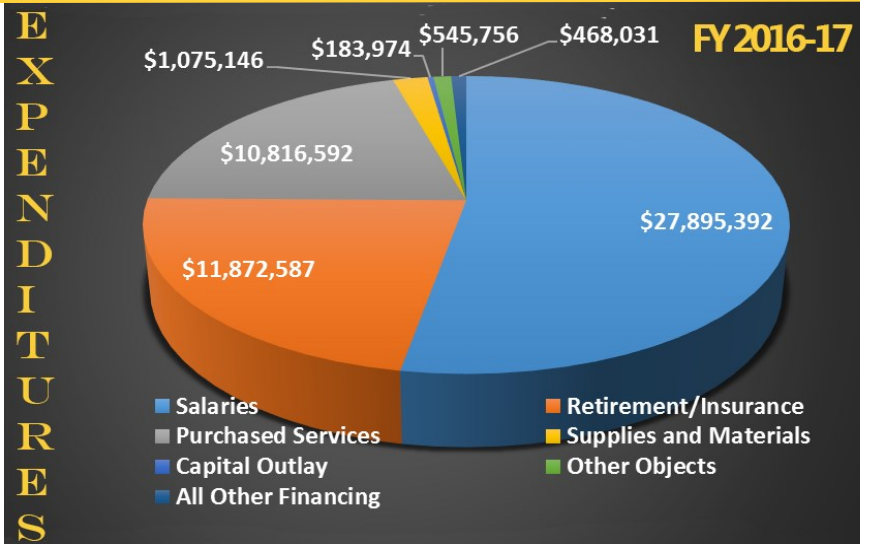
As shown in the **Revenue Resources Chart**, in FY 2016-17, Cuyahoga Falls City Schools received \$31,274,830 in local tax revenue. This equates to 58.9 percent of the District's revenue being funded by its voters. Likewise, CFCS received \$16,479,865 in State revenue or 31.0 percent. And lastly, Cuyahoga Falls City Schools received \$5,350,930 in all other sources of revenue or 10.1 percent.



School District expenditures can be broken into seven categories:

- ◆ Salaries
- ◆ Retirement/Insurance
- ◆ Purchased Services
- ◆ Supplies and Materials
- ◆ Capital Outlay
- ◆ Other Objects
- ◆ All Other Financing Sources

As shown in the **Expenditure Chart**, in FY 2016-17, CFCS General Fund expended \$27,895,392 in salaries. In descending order, salaries comprised the largest expenditure which totaled \$27,895,392 or 52.8 percent; Retirement/Insurance totaled \$11,872,587 or 22.5 percent; Purchased Services totaled \$10,816,592 or 20.5 percent; Supplies and Materials totaled \$1,075,146 or 2.0 percent; Other Objects totaled \$545,756 or 1.0 percent; All Other Financing totaled \$468,031 or 0.9 percent; and Capital Outlay totaled \$183,974 or 0.3 percent.



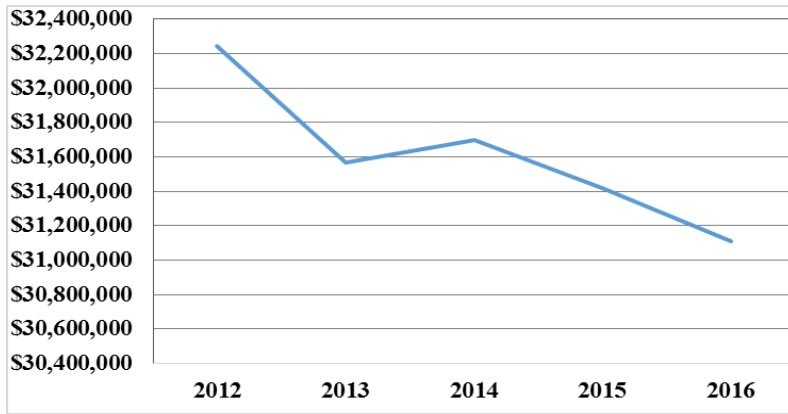
FY 2016 - 2017 Cuyahoga Falls City Schools Revenue to Expenditures Comparison

Revenue		Expenditure	
Property Taxes	\$31,274,830	Salaries	\$27,895,392
State Revenue	\$16,479,865	Retirement/Insurance	\$11,872,587
All Other Revenue	\$5,350,930	Purchased Services	\$10,816,592
		Supplies and Materials	\$1,075,146
		Capital Outlay	\$183,974
		Other Objects	\$545,756
		All Other Financing	\$468,031
Total Revenue	\$53,105,625	Total Expenditures	\$52,857,478

Challenges and Economic Outlook

One of the biggest financial difficulties facing the District is decreasing local property tax revenue.

FY 2012-FY 2016 Local Property Tax Revenue



Local Property Tax Revenue collection has decreased by 3.52 percent since 2012. Despite property values increasing, House Bill (H.B.) 920 limits the amount of revenue collected by a school district. This occurs by reducing the voted millage rates when property values rise. Essentially, the County reduces the amount of millage from your property taxes so that the levies will generate the same amount of revenue as when it was originally approved by voters. School Districts do not receive more revenue on voted millage when your property taxes increase.

Current Operating Levies

This table shows Cuyahoga Falls CSD levies with all original voted millage rates and how they have been reduced over the years to collect the same amount of revenue. Cuyahoga Falls residents approved 64.18 mills, but because of reduction factors, they have been reduced to 41.09 mills. Notice the voted millage rates and the effective millage rates differ. This is because a school district cannot receive additional revenue on voted levies despite increases to property value.

Year Passed	Term	Last Approved	Voted Amount	Effective Amount
1976	Continuing	1976	31.80	12.05
1983	Continuing	1983	6.76	3.71
1998	Continuing	1998	3.00	2.94
2002	5-year	2017	4.75	4.70
2005	5-year	2015	7.90	7.82
2011	5-year	2016	9.97	9.87
Total Voted Millage			64.18	41.09

Cuyahoga Falls will need additional future revenue to prevent further reductions toward State Minimums. Property taxes in 2016 were levied based on a total of 69.96 mills, including; 41.56 mills of continuing outside millage; 4.9 mills of continuing inside millage; 0.88 mills of bond millage which will last collect December 2017; and three separate five-year operating levies totaling 22.62 mills.

The three 5-year operating levies generate nearly \$16,356,630 million dollars annually and will end collections without voter re-approval or replacement in the following years;

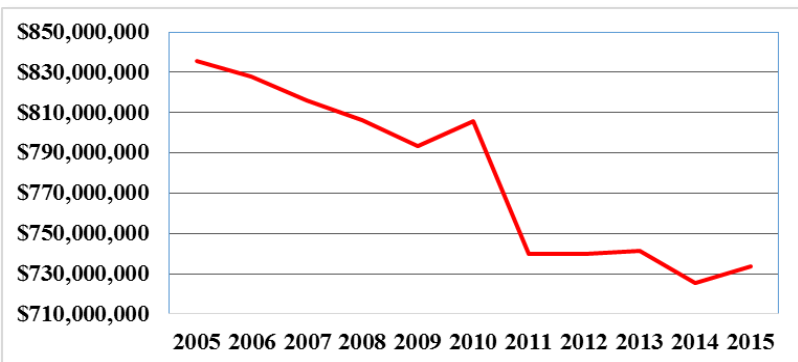
- ♦ 7.90 mills with last collection of \$5,787,136 in 2020
- ♦ 9.97 mills with last collection of \$7,303,513 in 2021
- ♦ 4.75 mills with last collection of \$3,265,980 in 2022.

Additional information can be found at the Treasurers website listed below under Treasurer's reports.

<http://www.cfalls.org/administrativeDepartment.aspx?aid=14>

If you have any questions, please contact Justin Klingshirn at 330-926-3800 ext. 502071 or via email cf_klingshirnj@cfalls.org.

This chart shows a historical look at Cuyahoga Falls CSD assessed property value. Examining the District's assessed property value provides context as to how reappraisal and triennial updates have affected property values.



As shown, total assessed property value decreased by \$101,993,048, or 12.2 percent from CY 2005 to CY 2015. Specifically, large decreases in total assessed property value resulted from the reappraisals and triennial updates throughout 2005 thru 2014.

In 1976, the Ohio general assembly enacted House Bill (H.B.) 920 which set out to limit property tax growth by reducing voted millage rates when property values rise. This tax reduction factor applies to

the voted operating levies. In practice, as property values increase the revised, effective millage is reduced so that the levies will generate the same amount of revenue as when it was originally approved by voters. This means that increasing home values will not increase revenue to the schools based on the voted millage.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	2017	\$ 953,987	\$ 144,557	\$ 953,987	\$ 144,557
School Breakfast Program	10.553	2017	167,084	-	167,084	-
Total Child Nutrition Cluster			<u>1,121,071</u>	<u>144,557</u>	<u>1,121,071</u>	<u>144,557</u>
Total U.S. Department of Agriculture			<u>1,121,071</u>	<u>144,557</u>	<u>1,121,071</u>	<u>144,557</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	84.010	2017	758,599	-	758,599	-
Special Education Cluster:						
Title VIB Special Education Grants to States	84.027	2017	1,184,035	-	1,184,035	-
Title IIA Improving Teacher Quality	84.367	2016	10,853	-	11,115	-
Title IIA Improving Teacher Quality	84.367	2017	134,081	-	134,081	-
Total Title IIA Improving Teacher Quality			<u>144,934</u>	<u>-</u>	<u>145,196</u>	<u>-</u>
English Language Acquisition Grants	84.365	2017	31,125	-	31,125	-
<i>Passed Through Hudson City School District</i>						
Career and Technical Education-Basic Grants to States	84.048	2016	-	-	3,818	-
Career and Technical Education-Basic Grants to States	84.048	2017	47,001	-	36,203	-
Total Career and Technical Education-Basic Grant to States			<u>47,001</u>	<u>-</u>	<u>40,021</u>	<u>-</u>
Total U.S. Department of Education			<u>2,165,695</u>	<u>-</u>	<u>2,158,976</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$3,286,766</u>	<u>\$ 144,557</u>	<u>\$ 3,280,047</u>	<u>\$ 144,557</u>

The accompanying notes are an integral part of this schedule.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Cuyahoga Falls City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the aggregate discretely presented component units, the major fund, and the aggregate discretely presented component units and remaining fund information of the Cuyahoga Falls City School District, Summit County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2018. Our report refers to other auditors who audited the financial statements of the Schnee Learning Center, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2017-002 described in the accompanying schedule of to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-001 described in the accompanying schedule of findings to be a significant deficiency.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Cuyahoga Falls City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Cuyahoga Falls City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Cuyahoga Falls City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2018

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULT

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1 Grants to Local Education Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

Finding For Recovery - Credit Card Fees

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Cuyahoga Falls City School District Board of Education Policy 8.10 - Use of Credit Cards and Policy 8.17 - Credit Card Policy allows employees of the District to use credit cards for District purchases as authorized using the policies and related guidelines. During fiscal years 2017, 2016, and 2015 late fees, delinquency charges, and over limit fees of \$342, \$1,247, and \$1,029, respectively, were found. Such fees are determined to be illegal expenditures as they are not for a proper public purpose. Fees were paid or initiated by the District's employees as follows:

Finding For Recovery - Credit Card Fees (continued)

Card Holder	Check Signer	Vendor	Check Number	Fund	Transaction Date	Amount
David Hoskin	David M. Hoskin	American Express	263487	General (001)	8/26/2016	\$166
David Hoskin	David M. Hoskin	American Express	264352	General (001)	10/31/2016	\$176
David Hoskin	David M. Hoskin	American Express	260063	General (001)	8/20/2015	\$29
David Hoskin	David M. Hoskin	American Express	260734	General (001)	10/26/2015	\$1,102
David Hoskin	David M. Hoskin	American Express	260858	Public School Support (018)	11/5/2015	\$116
David Hoskin	David M. Hoskin	American Express	257613	General (001)	11/6/2014	<u>\$1,029</u>
					TOTAL	\$2,618

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David M. Hoskin, and his bonding company, Travelers Casualty and Surety Company of America (August 1, 2015 – July 31, 2020) and Hylant Group (July 1, 2012 – August 1, 2015), in the amount of \$2,618, and in favor of the Cuyahoga Falls City School District General Fund, in the amount of \$2,502 and Public School Support Fund, in the amount of \$116.

The District should implement procedures to ensure late fees, delinquency charges, and over limit fees are not incurred by the District.

Official's Response: See Corrective Action Plan.

Budgetary Statement

<i>Finding Number</i>	2017-002
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MATERIAL WEAKNESS

The Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements-And Management's Discussion and Analysis-For State and Local Governments* requires governments to provide budgetary comparison information in their annual reports for the General Fund. The Statement of Revenue, Expenditure, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) reported by the District provides the required budgetary comparison. The final budgeted revenues should include estimated revenues, including all amendments, as certified by the Budget Commission of Summit County, for the fiscal year.

The Final Budgeted Revenues were understated by \$3,877,364 due to the exclusion of the final amended Certificate of Estimated Resources. The final amended Certificate of Estimated Resources increased the Budgeted Revenues from \$51,813,113 to \$55,690,477.

Budgetary Statement (continued)

The Statement of Revenue, Expenditure, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) were subsequently adjusted.

In order to help ensure proper reporting of the budgetary information, the District Treasurer should review the work performed to help ensure all approved amendments are properly reported within the budgetary statement.

Official's Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



CUYAHOGA FALLS CITY SCHOOL DISTRICT
 431 Stow Avenue, Cuyahoga Falls, OH 44221
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Dr. Todd M. Nichols
Superintendent/CEO

Justin Klingshirn
Treasurer/CFO

Ellen McClure
*Director of
 Human Resources*

James Marras
*Director of
 Instructional Technology*

Joseph Bagatti
*Director of Business
 and Operations*

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District is in the process of developing a better internal control checklist for accounts payable regarding late fees and credit card limits. At the time of the errors (FY 15 and FY 16), the District paid workers compensation using an American Express credit card. Although the card was paid off and cancelled, the balance exceeded the cards limit, which resulted in the finding.	3-19-2018	Treasurer
2017-002	The District is in the process of developing a better review checklist for financial audit documentation. The Treasurer should closely monitor the data provided to third parties and ensure it is accurate and up to date.	3-19-2018	Treasurer

Cuyahoga Falls City School District

"Every Student, Every Day, Every Opportunity."



Dave Yost • Auditor of State

CUYAHOGA FALLS CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018