

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

DAVID HOSKIN, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Cuyahoga Falls City School District, Summit County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 18, 2013

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Cuyahoga Falls City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cuyahoga Falls City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013, on our consideration of the Cuyahoga Falls City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Cuyahoga Falls City School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
January 22, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,469,297 from \$9,778,845 to \$8,309,548. This represents a 15.03% decrease from the net assets at June 30, 2011.
- General revenues accounted for \$40,731,052 in revenue or 79.76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,338,470 or 20.24% of total revenues of \$51,069,522.
- The District had \$52,538,819 in expenses related to governmental activities; only \$10,338,470 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$40,731,052 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$45,119,387 in revenues and \$45,778,200 in expenditures and other financing uses. The general fund decreased \$658,813 from \$3,110,926 to \$2,452,113.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District reports one major fund, which is the general fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, pupil, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-59 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 36,002,134	\$ 36,597,456
Capital assets, net	<u>8,891,567</u>	<u>9,276,840</u>
Total assets	<u>44,893,701</u>	<u>45,874,296</u>
<u>Liabilities</u>		
Current liabilities	30,451,372	29,377,892
Long-term liabilities	<u>6,132,781</u>	<u>6,717,559</u>
Total liabilities	<u>36,584,153</u>	<u>36,095,451</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,239,830	5,005,562
Restricted	928,066	1,819,007
Unrestricted	<u>2,141,652</u>	<u>2,954,276</u>
Total net assets	<u>\$ 8,309,548</u>	<u>\$ 9,778,845</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$8,309,548.

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

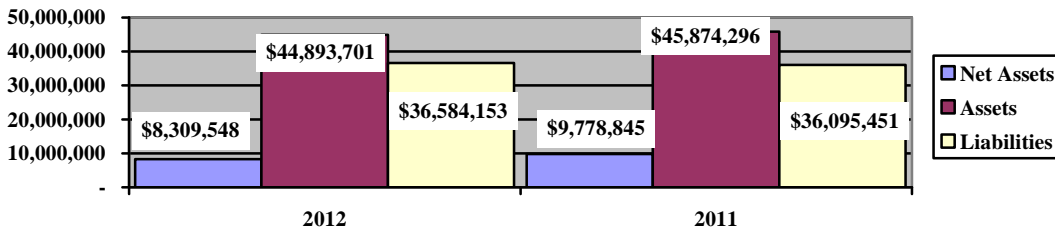
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

At year-end, capital assets represented 19.81% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$5,239,830. 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 assets, \$928,066, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets balance is \$2,141,652.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2012 and 2011:

Governmental Activities



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,240,110	\$ 4,200,177
Operating grants and contributions	6,098,360	6,485,558
General revenues:		
Property taxes	25,776,978	26,279,802
Grants and entitlements	14,872,226	16,982,777
Investment earnings	4,360	9,405
Payment in lieu of taxes	42,243	36,420
Other	35,245	21,739
Total revenues	51,069,522	54,015,878

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Change in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 21,988,407	\$ 21,922,990
Special	5,030,491	5,423,597
Vocational	1,042,067	1,337,997
Other	5,451,141	6,009,329
Support services:		
Pupil	2,821,549	2,793,777
Instructional staff	1,806,927	1,174,606
Board of education	64,800	69,512
Administration	2,733,646	2,839,480
Fiscal	942,567	1,048,651
Business	388,831	389,963
Operations and maintenance	4,377,498	4,721,746
Pupil transportation	1,465,455	1,346,972
Central	423,830	329,871
Operations of non-instructional services:		
Other non-instructional services	1,031,561	1,193,473
Food service operations	1,596,240	1,536,178
Extracurricular activities	1,209,300	1,158,366
Interest and fiscal charges	<u>164,509</u>	<u>192,492</u>
Total expenses	<u>52,538,819</u>	<u>53,489,000</u>
Change in net assets	<u>(1,469,297)</u>	<u>526,878</u>
Net assets at beginning of year	<u>9,778,845</u>	<u>9,251,967</u>
Net assets at end of year	<u>\$ 8,309,548</u>	<u>\$ 9,778,845</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,469,297. Total governmental expenses of \$52,538,819 were offset by program revenues of \$10,338,470 and general revenues of \$40,731,052. Program revenues supported 19.68% of the total governmental expenses.

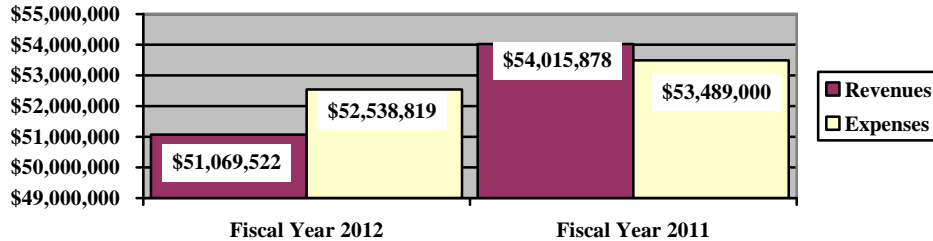
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 79.60% of the total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 21,988,407	\$ 18,724,623	\$ 21,922,990	\$ 17,867,077
Special	5,030,491	2,366,671	5,423,597	3,852,969
Vocational	1,042,067	795,101	1,337,997	1,091,697
Other	5,451,141	5,167,266	6,009,329	5,409,804
Support services:				
Pupil	2,821,549	2,741,534	2,793,777	2,589,278
Instructional staff	1,806,927	1,569,230	1,174,606	952,819
Board of education	64,800	64,800	69,512	69,512
Administration	2,733,646	2,645,285	2,839,480	2,399,207
Fiscal	942,567	942,163	1,048,651	1,048,651
Business	388,831	388,831	389,963	389,963
Operations and maintenance	4,377,498	4,006,737	4,721,746	4,280,081
Pupil transportation	1,465,455	1,276,289	1,346,972	1,136,070
Central	423,830	418,425	329,871	326,610
Operations of non-instructional services:				
Other non-instructional services	1,031,561	71,440	1,193,473	334,536
Food service operations	1,596,240	(49,831)	1,536,178	855
Extracurricular activities	1,209,300	907,276	1,158,366	861,644
Interest and fiscal charges	164,509	164,509	192,492	192,492
Total expenses	<u>\$ 52,538,819</u>	<u>\$ 42,200,349</u>	<u>\$ 53,489,000</u>	<u>\$ 42,803,265</u>

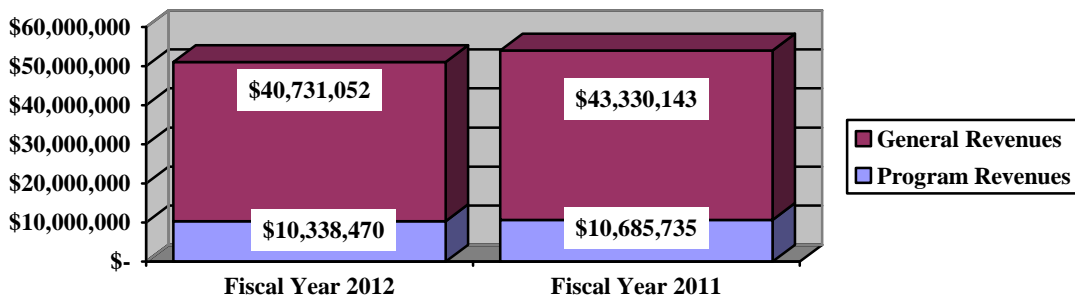
**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 80.73% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.32%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$3,904,741, which is lower than last year's balance of \$4,368,633. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ (Decrease)
General	\$ 2,452,113	\$ 3,110,926	\$ (658,813)
Other Governmental	<u>1,452,628</u>	<u>1,257,707</u>	<u>194,921</u>
Total	<u>\$ 3,904,741</u>	<u>\$ 4,368,633</u>	<u>\$ (463,892)</u>

General Fund

During fiscal year 2012, the District's general fund balance decreased \$658,813 to a fund balance of \$2,452,113.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase\</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 25,580,432	\$ 25,530,747	\$ 49,685	0.19 %
Tuition	2,393,443	2,263,145	130,298	5.76 %
Earnings on investments	4,360	9,405	(5,045)	(53.64) %
Intergovernmental	16,484,771	17,469,926	(985,155)	(5.64) %
Other revenues	<u>656,381</u>	<u>591,744</u>	<u>64,637</u>	10.92 %
Total	<u>\$ 45,119,387</u>	<u>\$ 45,864,967</u>	<u>\$ (745,580)</u>	(1.63) %
<u>Expenditures</u>				
Instruction	\$ 30,393,043	\$ 31,393,903	\$ (1,000,860)	(3.19) %
Support services	14,211,202	13,528,135	683,067	5.05 %
Extracurricular activities	855,422	857,453	(2,031)	(0.24) %
Non-instructional	182,053	177,189	4,864	2.75 %
Facilities acquisition and construction	-	34,151	(34,151)	(100.00) %
Debt service	<u>110,116</u>	<u>110,116</u>	<u>-</u>	- %
Total	<u>\$ 45,751,836</u>	<u>\$ 46,100,947</u>	<u>\$ (349,111)</u>	(0.76) %

Revenues of the general fund decreased \$745,580 or 1.63%. The most significant decrease was in the area of intergovernmental revenue. The decrease of \$985,155 in intergovernmental revenue can mainly be attributed to a decrease of roughly \$826,000 in tangible personal property reimbursements receipts from the State. These revenues are being phased out by the State. Tuition revenue increased \$130,298 or 5.76% due to increased tuition received from Schnee. All other amounts remained compared to 2011.

Expenditures of the general fund decreased \$349,111 or 0.76%. The most significant decrease was in the area of instructional expenditures which decreased \$1,000,860 or 3.19%. The largest decrease occurred due to budget cuts throughout the District.

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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$46,214,692 were increased to \$49,562,857 in the final budget. Actual revenues and other financing sources for fiscal year 2012 were \$44,983,543.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$45,997,996 were decreased to \$45,913,692 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$45,292,184.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$8,891,567 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,321,765	\$ 1,321,765
Land improvements	841,735	916,870
Building and improvements	5,989,423	6,111,572
Furniture and equipment	360,042	455,057
Vehicles	<u>378,602</u>	<u>471,576</u>
Total	<u>\$ 8,891,567</u>	<u>\$ 9,276,840</u>

The overall decrease in capital assets of \$385,273 is due to current year depreciation expense of \$737,145 exceeding capital outlays of \$351,872.

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

Debt Administration

At June 30, 2012, the District had \$3,616,416 in general obligation bonds, asbestos removal loans and capital leases outstanding. Of this total, \$481,416 is due within one year and \$3,135,000 is due in more than one year. The following table summarizes the bonds, loans, notes and capital leases outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Governmental obligation bonds	\$ 3,585,000	\$ 4,010,000
Asbestos removal loan	13,179	39,542
Capital Leases	<u>18,237</u>	<u>124,460</u>
Total	<u>\$ 3,616,416</u>	<u>\$ 4,174,002</u>

At June 30, 2012, the District had voted debt margin was \$63,334,848 and an unvoted debt margin of \$739,981.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 Mr. David Hoskin, Treasurer, Cuyahoga Falls City School District, 431 Stow Avenue, Cuyahoga Falls, Ohio 44221.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government	Component Units	
	Governmental Activities	Cuyahoga Falls School Foundation	Schnee Learning Center
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 7,041,049	\$ 714,164	\$ 206,827
Receivables:			
Property taxes	28,525,341	-	-
Accounts.	1,694	-	-
Due from component unit	48,446	-	-
Intergovernmental	223,171	-	5,706
Prepayments	23,086	-	5,206
Materials and supplies inventory.	90,508	-	-
Unamortized bond issuance costs	48,839	-	-
Capital assets:			
Land	1,321,765	-	-
Depreciable capital assets, net.	7,569,802	-	110,138
Capital assets, net	<u>8,891,567</u>	<u>-</u>	<u>110,138</u>
Total assets.	<u>44,893,701</u>	<u>714,164</u>	<u>327,877</u>
Liabilities:			
Accounts payable.	190,646	-	-
Accrued wages and benefits	3,605,210	-	-
Pension obligation payable.	650,470	-	-
Intergovernmental payable	300,709	-	241,402
Unearned revenue	24,925,182	-	-
Accrued interest payable	12,390	-	-
Claims payable.	766,765	-	-
Due to primary government	-	-	48,446
Long-term liabilities:			
Due within one year.	864,607	-	-
Due in more than one year.	5,268,174	-	-
Total liabilities	<u>36,584,153</u>	<u>-</u>	<u>289,848</u>
Net Assets:			
Invested in capital assets, net of related debt.	5,239,830	-	110,138
Restricted for:			
Debt service.	322,474	-	-
Locally funded programs	45,626	-	-
State funded programs.	122,400	-	-
Federally funded programs	14,854	-	5,706
Public school support	-	-	2,963
Student activities	144,729	-	-
Other purposes	277,983	-	18,352
Unrestricted (deficit)	<u>2,141,652</u>	<u>714,164</u>	<u>(99,130)</u>
Total net assets	<u>\$ 8,309,548</u>	<u>\$ 714,164</u>	<u>\$ 38,029</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, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 21,988,407	\$ 2,560,490	\$ 703,294	\$ (18,724,623)
Special	5,030,491	318,963	2,344,857	(2,366,671)
Vocational	1,042,067	23,653	223,313	(795,101)
Other	5,451,141	5,922	277,953	(5,167,266)
Support services:				
Pupil.	2,821,549	895	79,120	(2,741,534)
Instructional staff	1,806,927	11,438	226,259	(1,569,230)
Board of education	64,800	-	-	(64,800)
Administration.	2,733,646	1,430	86,931	(2,645,285)
Fiscal.	942,567	404	-	(942,163)
Business.	388,831	-	-	(388,831)
Operations and maintenance	4,377,498	336,342	34,419	(4,006,737)
Pupil transportation.	1,465,455	22,911	166,255	(1,276,289)
Central	423,830	1,691	3,714	(418,425)
Operation of non-instructional services:				
Other non-instructional services	1,031,561	378	959,743	(71,440)
Food service operations	1,596,240	664,993	981,078	49,831
Extracurricular activities.	1,209,300	290,600	11,424	(907,276)
Interest and fiscal charges	164,509	-	-	(164,509)
Total governmental activities	<u>52,538,819</u>	<u>4,240,110</u>	<u>6,098,360</u>	<u>(42,200,349)</u>
Component Units				
Cuyahoga Falls Schools Foundation	136,193	-	175,815	-
Schnee Learning Center	1,250,755	9,849	1,159,168	-
Total component units	<u>1,386,948</u>	<u>9,849</u>	<u>1,334,983</u>	<u>-</u>
Totals	<u>\$ 53,925,767</u>	<u>\$ 4,249,959</u>	<u>\$ 7,433,343</u>	<u>(42,200,349)</u>
General Revenues:				
Property taxes levied for:				
General purposes				25,267,170
Debt service.				509,808
Grants and entitlements not restricted				
to specific programs				14,872,226
Payment in lieu of taxes				42,243
Investment earnings				4,360
Miscellaneous				35,245
Total general revenues				<u>40,731,052</u>
Change in net assets				(1,469,297)
Net assets at beginning of year.				<u>9,778,845</u>
Net assets at end of year				<u>\$ 8,309,548</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 4,431,910	\$ 1,432,220	\$ 5,864,130
Receivables:			
Property taxes.	27,998,723	526,618	28,525,341
Accounts	1,694	-	1,694
Due from component unit	20,251	28,195	48,446
Intergovernmental.	223,171	-	223,171
Prepayments.	23,086	-	23,086
Materials and supplies inventory.	55,156	35,352	90,508
Total assets	<u>\$ 32,753,991</u>	<u>\$ 2,022,385</u>	<u>\$ 34,776,376</u>
Liabilities:			
Accounts payable	\$ 126,071	\$ 64,575	\$ 190,646
Accrued wages and benefits.	3,605,210	-	3,605,210
Compensated absences payable	286,490	4,837	291,327
Intergovernmental payable	300,709	-	300,709
Unearned revenue.	24,460,268	464,914	24,925,182
Deferred revenue	894,759	13,332	908,091
Pension obligation payable	628,371	22,099	650,470
Total liabilities.	<u>30,301,878</u>	<u>569,757</u>	<u>30,871,635</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	55,156	35,352	90,508
Prepayments.	23,086	-	23,086
Unclaimed monies	1,369	-	1,369
Restricted:			
Debt service	-	321,532	321,532
Food service operations	-	282,616	282,616
Non-public schools	-	122,400	122,400
Vocational education.	-	15,530	15,530
Other purposes.	-	45,626	45,626
Extracurricular.	-	144,729	144,729
Committed:			
Capital improvements	-	517,203	517,203
Other purposes.	-	732	732
Underground storage tank	11,000	-	11,000
Assigned:			
Student instruction	36,670	-	36,670
Student and staff support.	30,580	-	30,580
Facilities acquisition and construction	600	-	600
Uniform school supplies	109,104	-	109,104
Adult education	6,089	-	6,089
Other purposes.	91,762	-	91,762
Unassigned (deficit)	2,086,697	(33,092)	2,053,605
Total fund balances	<u>2,452,113</u>	<u>1,452,628</u>	<u>3,904,741</u>
Total liabilities and fund balances	<u>\$ 32,753,991</u>	<u>\$ 2,022,385</u>	<u>\$ 34,776,376</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	3,904,741
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,891,567
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	788,663	
Accounts receivable		53,741	
Intergovernmental receivable		65,687	
Total		908,091	908,091
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			410,154
Unamortized bond issuance costs are not recognized in the funds.			48,839
Unamortized premiums on bond issuance are not recognized in the funds.			(162,461)
Unamortized amounts on refundings are not recognized in the funds.			78,301
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(12,390)
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		(3,585,000)	
Capital lease obligations		(18,237)	
Compensated absences		(2,140,878)	
Loans payable		(13,179)	
Total		(5,757,294)	(5,757,294)
Net assets of governmental activities		\$	8,309,548

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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 25,580,432	\$ 516,883	\$ 26,097,315
Tuition	2,393,443	-	2,393,443
Transportation fees	22,911	-	22,911
Earnings on investments	4,360	187	4,547
Charges for services	-	676,122	676,122
Extracurricular	198,770	266,938	465,708
Classroom materials and fees	147,536	-	147,536
Rental income	-	330,714	330,714
Contributions and donations	220	-	220
Contract services	10,143	-	10,143
Other local revenues	276,801	92,389	369,190
Intergovernmental - state	16,357,234	1,130,232	17,487,466
Intergovernmental - federal	127,537	3,856,630	3,984,167
Total revenues	<u>45,119,387</u>	<u>6,870,095</u>	<u>51,989,482</u>
Expenditures:			
Current:			
Instruction:			
Regular	20,133,686	1,317,075	21,450,761
Special	4,083,177	911,120	4,994,297
Vocational	1,008,497	47,956	1,056,453
Other	5,167,683	277,953	5,445,636
Support services:			
Pupil	2,715,806	79,120	2,794,926
Instructional staff	1,568,513	226,114	1,794,627
Board of education	65,051	-	65,051
Administration	2,635,882	87,403	2,723,285
Fiscal	958,042	10,937	968,979
Business	389,038	-	389,038
Operations and maintenance	4,199,614	343,878	4,543,492
Pupil transportation	1,269,306	64,467	1,333,773
Central	409,950	-	409,950
Operation of non-instructional services:			
Other non-instructional services	182,053	830,740	1,012,793
Food service operations	-	1,586,111	1,586,111
Extracurricular activities	855,422	299,344	1,154,766
Debt service:			
Principal retirement	106,223	451,363	557,586
Interest and fiscal charges	3,893	167,957	171,850
Total expenditures	<u>45,751,836</u>	<u>6,701,538</u>	<u>52,453,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(632,449)</u>	<u>168,557</u>	<u>(463,892)</u>
Other financing sources (uses):			
Transfers in	-	26,364	26,364
Transfers (out)	<u>(26,364)</u>	-	<u>(26,364)</u>
Total other financing sources (uses)	<u>(26,364)</u>	<u>26,364</u>	<u>-</u>
Net change in fund balances	(658,813)	194,921	(463,892)
Fund balances at beginning of year	<u>3,110,926</u>	<u>1,257,707</u>	<u>4,368,633</u>
Fund balances at end of year	<u>\$ 2,452,113</u>	<u>\$ 1,452,628</u>	<u>\$ 3,904,741</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, 2012

Net change in fund balances - total governmental funds \$ (463,892)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	351,872	
Current year depreciation		(737,145)	
Total			(385,273)

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

Property taxes		(278,094)	
Tuition		(48,243)	
Intergovernmental		(598,694)	
Total			(925,031)

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

Bonds		425,000	
Loans		26,363	
Capital leases		106,223	
Total			557,586

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

Decrease in accrued interest payable		1,836	
Amortization of bond issuance costs		(7,611)	
Amortization of bond premiums		25,318	
Amortization of deferred charges		(12,202)	
Total			7,341

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.

69,057

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

(329,085)

Change in net assets of governmental activities \$ (1,469,297)

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 27,437,000	\$ 28,891,028	\$ 26,221,453	\$ (2,669,575)
Tuition	2,326,000	2,433,143	2,208,317	(224,826)
Transportation fees	20,000	25,516	23,158	(2,358)
Earnings on investments	9,000	4,823	4,377	(446)
Extracurricular	-	25,634	23,265	(2,369)
Other local revenues	20,000	40,080	36,377	(3,703)
Intergovernmental - state	16,252,692	18,022,545	16,357,234	(1,665,311)
Intergovernmental - federal	100,000	116,083	105,357	(10,726)
Total revenues	46,164,692	49,558,852	44,979,538	(4,579,314)
Expenditures:				
Current:				
Instruction:				
Regular	19,366,161	19,920,008	19,650,205	269,803
Special	3,473,280	4,167,533	4,111,087	56,446
Vocational	931,078	991,602	978,172	13,430
Other	5,721,961	5,191,683	5,121,366	70,317
Support services:				
Pupil	2,500,173	2,791,774	2,753,962	37,812
Instructional staff	1,348,457	1,511,812	1,491,336	20,476
Board of education	84,244	67,515	66,601	914
Administration	2,587,663	2,693,248	2,656,770	36,478
Fiscal	1,508,328	981,690	968,394	13,296
Business	395,762	402,452	397,001	5,451
Operations and maintenance	5,254,597	4,405,447	4,345,779	59,668
Pupil transportation	1,355,928	1,278,856	1,261,535	17,321
Central	460,416	410,513	404,953	5,560
Other non-instructional services	145,956	185,020	182,514	2,506
Extracurricular activities	841,822	869,282	857,508	11,774
Facilities acquisition and construction	22,170	18,893	18,637	256
Total expenditures	45,997,996	45,887,328	45,265,820	621,508
Excess (deficiency) of expenditures over (under) revenues	166,696	3,671,524	(286,282)	(3,957,806)
Other financing sources (uses):				
Refund of prior year's expenditures	50,000	4,005	4,005	-
Transfers (out)	-	(26,364)	(26,364)	-
Total other financing sources (uses)	50,000	(22,359)	(22,359)	-
Net change in fund balance	216,696	3,649,165	(308,641)	(3,957,806)
Fund balance at beginning of year	4,166,027	4,166,027	4,166,027	-
Prior year encumbrances appropriated	84,304	84,304	84,304	-
Fund balance at end of year	\$ 4,467,027	\$ 7,899,496	\$ 3,941,690	\$ (3,957,806)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 1,176,919
Total assets	<u>1,176,919</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>766,765</u>
Total liabilities	<u>766,765</u>
Net assets:	
Unrestricted	<u>410,154</u>
Total net assets	<u><u>\$ 410,154</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 6,673,086
Total operating revenues	<u>6,673,086</u>
Operating expenses:	
Personal services.	14,600
Purchased services.	49,873
Materials and supplies	16
Claims	<u>6,937,682</u>
Total operating expenses.	<u>7,002,171</u>
Operating loss/change in net assets	<u>(329,085)</u>
Net assets at beginning of year	<u>739,239</u>
Net assets at end of year.	<u>\$ 410,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	\$ 6,673,086
Cash payments for personal services.	(14,600)
Cash payments for contractual services	(50,073)
Cash payments for materials and supplies	(16)
Cash payments for claims	<u>(6,514,565)</u>
 Net cash provided by operating activities	 <u>93,832</u>
 Net increase in cash and cash equivalents	 93,832
 Cash and cash equivalents at beginning of year . . .	 <u>1,083,087</u>
Cash and cash equivalents at end of year	<u>\$ 1,176,919</u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (329,085)
Changes in assets and liabilities:	
(Decrease) in accounts payable	(200)
Increase in claims payable	<u>423,117</u>
 Net cash provided by operating activities.	 <u>\$ 93,832</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 25,957	\$ 99,937
Total assets.	25,957	\$ 99,937
Liabilities:		
Accounts payable.	-	\$ 10,025
Due to students.	-	89,912
Total liabilities	-	\$ 99,937
Net assets:		
Held in trust for scholarships	25,957	
Total net assets	\$ 25,957	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 11
Gifts and contributions.	1,000
Total additions.	1,011
Deductions:	
Scholarships awarded	2,000
Change in net assets.	(989)
Net assets at beginning of year	26,946
Net assets at end of year.	\$ 25,957

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, 2012**

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 218 non-certified and 350 certified full-time and part-time employees to provide services to 4,952 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 431 Stow Avenue, Cuyahoga Falls, Ohio 44221-0396.

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The Council employs an Executive Director who works cooperatively with a seven-member Board of Directors consisting of four superintendents, the ESC superintendent, one member of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$198,478 to NEOnet.

Six District Educational Compact (Compact)

The Six District Educational Compact is a jointly governed organization consisting of six participating school districts, to provide for the vocational and special education needs of their students. The six-member Board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six school districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district, which offers the class. The committee exercises total control over the operation of the Compact, including budgeting, appropriating, contracting and designating management. All financial inquiries should be addressed to the Treasurer of the Hudson City School District, 2386 Hudson-Aurora Road, Hudson, Ohio 44236.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a Council of Governments comprised of one hundred fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2012, the District paid \$1,479 to the Council for annual membership and other fees. Financial information can be obtained by contacting Randy Boroff, Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District also participates in the Council's life insurance program which was implemented during fiscal year 2011. This program allows school districts to purchase life insurance at reduced rates. Metropolitan Life Insurance (MetLife) Company provided coverage for the program through December 31, 2011. Grady Enterprises began providing coverage for this program beginning January 1, 2012.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following is the District's major governmental fund:

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

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

PROPRIETARY FUND

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. During fiscal year 2012, the District had an agency fund that accounts for student managed activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants and student fees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the fund financial statements.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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 2012 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.
5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The original budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year.

F. Cash and Investments

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

During fiscal year 2012, investments were limited to investments in repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$4,360 which includes \$1,760 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

G. Inventory

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

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental type activities columns of the statement of net assets. The District had no interfund loans at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

J. Compensated Absences

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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.

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

M. Estimates

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

N. Prepayments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

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

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

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for the food service fund (a nonmajor governmental fund).

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

Q. Operating Revenues and Expenses

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

R. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 15,800
Drug free school grant	17,292

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$4,352,748 exclusive of \$2,690,000 in repurchase agreements included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, all of the District’s bank balance of \$4,508,504 was covered by the FDIC.

B. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 2,690,000	\$ 2,690,000
STAR Ohio	<u>124,195</u>	<u>124,195</u>
Total	<u>\$ 2,814,195</u>	<u>\$ 2,814,195</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: The federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Service, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The District has no policy dealing with credit risk beyond the requirements of State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District’s \$2,690,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 2,690,000	95.59
STAR Ohio	124,195	4.41
Total	<u>\$ 2,814,195</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,352,748
Investments	<u>2,814,195</u>
Total	<u>\$ 7,166,943</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,041,049
Private-purpose trust funds	25,957
Agency funds	<u>99,937</u>
Total	<u>\$ 7,166,943</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	<u>\$ 26,364</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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 Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$2,763,124 in the general fund and \$53,372 in the bond retirement debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$3,404,145 in the general fund and \$77,279 in the bond retirement debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue. On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 802,071,580	99.60	\$ 736,573,940	99.54
Public utility personal	<u>3,258,990</u>	<u>0.40</u>	<u>3,407,350</u>	<u>0.46</u>
Total	<u>\$ 805,330,570</u>	<u>100.00</u>	<u>\$ 739,981,290</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

General	\$69.08	\$69.08
Bond retirement	0.80	0.80

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, accounts (billings for user charged services and student fees), amounts due from component unit and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 28,525,341
Accounts	1,694
Due from component unit	48,446
Intergovernmental	<u>223,171</u>
Total	<u>\$ 28,798,652</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</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	2,716,609	6,753	-	2,723,362
Buildings and improvements	23,272,275	269,486	-	23,541,761
Furniture and equipment	1,865,075	75,633	-	1,940,708
Vehicles	<u>1,799,440</u>	<u>-</u>	<u>-</u>	<u>1,799,440</u>
Total capital assets, being depreciated	<u>29,653,399</u>	<u>351,872</u>	<u>-</u>	<u>30,005,271</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,799,739)	(81,888)	-	(1,881,627)
Buildings and improvements	(17,160,703)	(391,635)	-	(17,552,338)
Furniture and equipment	(1,410,018)	(170,648)	-	(1,580,666)
Vehicles	<u>(1,327,864)</u>	<u>(92,974)</u>	<u>-</u>	<u>(1,420,838)</u>
Total accumulated depreciation	<u>(21,698,324)</u>	<u>(737,145)</u>	<u>-</u>	<u>(22,435,469)</u>
Governmental activities capital assets, net	<u>\$ 9,276,840</u>	<u>\$ (385,273)</u>	<u>\$ -</u>	<u>\$ 8,891,567</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 375,501
Special	1,751
Vocational	1,286
<u>Support services:</u>	
Pupil	973
Instructional staff	5,820
Administration	2,560
Business	3,880
Operations and maintenance	120,849
Pupil transportation	121,625
Central	13,880
<u>Operation of non-instructional services:</u>	
Other non-instructional services	24,204
Food service operations	10,866
Extracurricular activities	53,950
Total depreciation expense	<u>\$ 737,145</u>

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$484,995. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 for copiers was \$476,912, leaving a current book value of \$8,083. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$106,223 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, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 18,354
Total minimum lease payments	18,354
Less: Amount representing interest	<u>(117)</u>
Total	<u>\$ 18,237</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:						
1999 school improvement bonds	4.25%	\$ 875,000	\$ -	\$ (425,000)	\$ 450,000	\$ 450,000
2009 refunding bonds	3.00 - 5.00%	<u>3,135,000</u>	-	-	<u>3,135,000</u>	-
Total General Obligation Bonds		<u>4,010,000</u>	-	<u>(425,000)</u>	<u>3,585,000</u>	<u>450,000</u>
Long-term Loans:						
1993 asbestos removal loan	0.00%	<u>39,542</u>	-	<u>(26,363)</u>	<u>13,179</u>	<u>13,179</u>
Total Loans Payable		<u>39,542</u>	-	<u>(26,363)</u>	<u>13,179</u>	<u>13,179</u>
Other Long-term Obligations:						
Capital lease obligation		124,460	-	(106,223)	18,237	18,237
Compensated absences		<u>2,446,281</u>	<u>515,267</u>	<u>(529,343)</u>	<u>2,432,205</u>	<u>383,191</u>
Total Other Long-term Obligations		<u>2,570,741</u>	<u>515,267</u>	<u>(635,566)</u>	<u>2,450,442</u>	<u>401,428</u>
Total		<u>\$ 6,620,283</u>	<u>\$ 515,267</u>	<u>\$(1,086,929)</u>	6,048,621	<u>\$ 864,607</u>
					Less: Unamortized deferred charges	(78,301)
					Add: Unamortized premium on bond issue	<u>162,461</u>
					Total on statement of net assets	<u>\$ 6,132,781</u>

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

Series 2009 Refunding General Obligation Bonds: On October 29, 2009, the District issued general obligation bonds (Series 2009 Refunding Bonds) to advance refund the callable portion of the Series 1999 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded Series 1999 current interest bonds at June 30, 2012, is \$3,185,000.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

Fiscal Year Ending June 30,	1999 School Improvement Bonds			2009 Refunding Bonds			Asbestos Removal Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 450,000	\$ 12,263	\$ 462,263	\$ -	\$ 131,850	\$ 131,850	\$ 13,179	\$ -	\$ 13,179
2014	-	-	-	480,000	124,650	604,650	-	-	-
2015	-	-	-	490,000	107,650	597,650	-	-	-
2016	-	-	-	510,000	87,650	597,650	-	-	-
2017	-	-	-	530,000	66,850	596,850	-	-	-
2018 - 2019	-	-	-	1,125,000	56,875	1,181,875	-	-	-
Total	\$ 450,000	\$ 12,263	\$ 462,263	\$ 3,135,000	\$ 575,525	\$ 3,710,525	\$ 13,179	\$ -	\$ 13,179

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - 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, 2012, are a voted debt margin of \$63,334,848 (including available funds of \$321,532) and an unvoted debt margin of \$739,981.

NOTE 11 - RISK MANAGEMENT

A. General Risk

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

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

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

B. Health Insurance

The claims liability of \$766,765 reported in the basic financial statements at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claim.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 11 - RISK MANAGEMENT - (Continued)

A summary of changes in self-insurance claims for the years ended June 30, 2012 and June 30, 2011:

Fiscal Year	Balance <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance <u>End of Year</u>
2012	\$ 343,648	\$ 6,937,682	\$ (6,514,565)	\$ 766,765
2011	675,194	5,746,635	(6,078,181)	343,648

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$774,087, \$731,626 and \$780,915, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,792,082, \$2,904,311 and \$2,898,511, respectively; 83.46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$155,420 made by the District and \$111,014 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$155,778, \$180,723 and \$117,229, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$45,714, \$47,082 and \$46,439, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$214,776, \$223,409 and \$222,962, respectively; 83.46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (308,641)
Net adjustment for revenue accruals	(570,322)
Net adjustment for expenditure accruals	181,213
Net adjustment for other sources/uses	(4,005)
Funds budgeted elsewhere	(46,841)
Adjustment for encumbrances	89,783
GAAP basis	\$ (658,813)

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 special rotary fund, the public school support fund, the unclaimed monies fund and the under ground storage tank fund.

NOTE 15 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - 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, 2011	\$ -
Current year set-aside requirement	842,148
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,023,929)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (181,781)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

NOTE 17 - OTHER COMMITMENTS

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 70,466
Other governmental	<u>96,716</u>
Total	<u><u>\$ 167,182</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - SCHNEE LEARNING CENTER

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

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

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On June 28, 2010, the Center renewed the contract with the Sponsor for an additional five years which will expire on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Center began accepting students on August 3, 2005 and served 145 students during fiscal year 2012.

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 Jarvis and Associates.

The Sponsor, on a purchased services basis with the Center, provides planning, instructional, administrative and technical services. Personnel providing services to the Center on behalf of the Sponsor on the purchased services basis are employees of the Summit County ESC. Payments from the Center to the Sponsor under the Community School Sponsorship Contract and the annual Purchased Services Contract for the period July 1, 2011 through June 30, 2012 can be found in Note 18.E.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

A. Summary of Significant Accounting Policies

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

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

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

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

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

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of \$5,000. The Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

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

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

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

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

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

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

B. Cash and Cash Equivalents

At June 30, 2012, the carrying amount of the Center's deposits was \$206,827. Based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2012, all of the Center's bank balance of \$476,057 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

C. Capital Assets

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2012</u>
<i>Capital assets being depreciated:</i>				
Equipment	\$ 6,125	\$ -	\$ -	\$ 6,125
Software	<u>188,278</u>	<u>-</u>	<u>-</u>	<u>188,278</u>
Total capital assets being depreciated	<u>194,403</u>	<u>-</u>	<u>-</u>	<u>194,403</u>
<i>Less: accumulated depreciation</i>				
Equipment	(3,403)	(2,042)	-	(5,445)
Software	<u>(19,132)</u>	<u>(59,688)</u>	<u>-</u>	<u>(78,820)</u>
Total accumulated depreciation	<u>(22,535)</u>	<u>(61,730)</u>	<u>-</u>	<u>(84,265)</u>
Net capital assets	<u>\$ 171,868</u>	<u>\$ (61,730)</u>	<u>\$ -</u>	<u>\$ 110,138</u>

D. Receivables

The Center had the following intergovernmental receivables at June 30, 2012:

Title I	<u>\$ 5,706</u>
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The intergovernmental receivables are expected to be collected in the subsequent year.

E. Purchased Services

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 973,675
Travel and meetings	1,042
Communications	3
Miscellaneous	<u>169,092</u>
Total	<u>\$ 1,143,812</u>

F. Risk Management

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - SCHNEE LEARNING CENTER - (Continued)

G. Contingencies

Grants and ADM - The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2012, if applicable, cannot be determined at this time.

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Center \$12,482. This amount is reflected as an intergovernmental payable on the basic financial statements.

H. Related Party Transactions

For the fiscal year ended June 30, 2012, the Center had expenses of \$282,649 to their sponsor for reimbursement of expenses. There was an amount of \$48,446 due to their sponsor at June 30, 2012. This amount is displayed as "due to primary government" on the basic financial statements.

I. Change in Accounting Principles

For fiscal year 2012, the Center has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Center.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Center.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 19 - CUYAHOGA FALLS SCHOOLS FOUNDATION

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

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

NOTE 20 - SUBSEQUENT EVENT

On July 1, 2012, David Hoskin became Treasurer at the District.

SUPPLEMENTARY DATA

**CUYAHOGA FALLS CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2012	\$ 131,303	\$ 131,303
(D)(E) National School Lunch Program - Food Donation	10.555	2012	96,492	96,492
(C)(D) National School Lunch Program	10.555	2012	750,988	750,988
Total National School Lunch Program			<u>847,480</u>	<u>847,480</u>
Total Child Nutrition Cluster			<u>978,783</u>	<u>978,783</u>
Total U.S. Department of Agriculture			<u>978,783</u>	<u>978,783</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2012	846,496	846,496
Special Education Grants to States	84.027	2012	1,165,039	1,165,039
Educational Technology State Grants	84.318	2012	5,525	5,525
English Language Acquisition State Grants	84.365	2012	21,619	21,619
Improving Teacher Quality State Grants	84.367	2012	152,879	152,879
Education Jobs Fund	84.410	2012	635,931	635,931
PASSED THROUGH THE HUDSON CITY SCHOOLS				
Career and Technical Education -- Basic Grants to States	84.048	2011	-	13,128
Career and Technical Education -- Basic Grants to States	84.048	2012	50,358	34,828
Total Career and Technical Education -- Basic Grants to States			<u>50,358</u>	<u>47,956</u>
Total U.S. Department of Education			<u>2,877,847</u>	<u>2,875,445</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY PASSED THROUGH THE MID-OHIO REGIONAL PLANNING COMMISSION				
ARRA National Clean Diesel Emissions Reduction Program, Recovery	66.039	84110-104	64,466	64,466
Total U.S. Environmental Protection Agency			<u>64,466</u>	<u>64,466</u>
Total Federal Financial Assistance			<u>\$ 3,921,096</u>	<u>\$ 3,918,694</u>

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

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, aggregate discretely present component units, its major fund, and the aggregate remaining fund information of the Cuyahoga Falls City School District, Summit County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Cuyahoga Falls City School District's basic financial statements and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Cuyahoga Falls City School District

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Cuyahoga Falls City School District's management in a separate letter date January 22, 2013.

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



Julian & Grube, Inc.
January 22, 2013



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Cuyahoga Falls City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cuyahoga Falls City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Cuyahoga Falls City School District's major federal programs. The Cuyahoga Falls City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Cuyahoga Falls City School District's compliance based on our audit.

The Cuyahoga Falls City School District's basic financial statements include the operations of Schnee Learning Center, which received \$177,593 in federal awards which is not included in the Cuyahoga Falls City School District's Schedule of Receipts and Expenditures of Federal Awards for the fiscal year ended June 30, 2012. Our audit of Federal awards, described below, did not include the operations of Schnee Learning Center because the component unit expended less than \$500,000 of Federal awards for the fiscal year ended June 30, 2012, and thus it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, the Cuyahoga Falls City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Board of Education
Cuyahoga Falls City School District

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of the management, Board of Education, others within the Cuyahoga Falls City School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Julian & Grube, Inc.
January 22, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education_Grants to States (CFDA # 84.027) and Education Jobs Fund (CFDA # 84.410)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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 28, 2013