



Dave Yost • Auditor of State



**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate discretely presented component unit and remaining fund information of Cuyahoga Falls City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Schnee Learning Center which represents 2 percent, 11 percent, and 7 percent, respectively of the assets, fund balances, and revenues of the District's remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amount included for Schnee Learning Center, is based solely on the report of the other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate discretely presented component unit and remaining fund information of Cuyahoga Falls City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$1,857,493 from a position of \$7,454,629 to \$9,312,122. This represents a 24.92% increase from the net position at June 30, 2013.
- General revenues accounted for \$44,488,093 in revenue or 78.60% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$12,111,216 or 21.40% of total revenues of \$56,599,309.
- The District had \$54,741,816 in expenses related to governmental activities; only \$12,111,216 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 \$44,488,093 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$50,220,779 in revenues \$48,447,884 in expenditures. The general fund increased \$1,772,895 from \$1,169,060 to \$2,941,955.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows or resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The District's statement of net position and statement of activities can be found on pages 15-17 of this report.

The government-wide financial statements include not only Cuyahoga Falls City School District itself (known as the primary government), but also two legally separate entities for which the District is financially accountable. Financial information for the component units, Schnee Learning Center (the "Center") and Cuyahoga Falls Schools Foundation (the "Foundation"), are reported separately from the financial information presented for the primary government itself. Separately issued financial statements can be obtained from the Treasurer of the Center at 2222 Issaquah Street, Cuyahoga Falls, Ohio 44221-0396. Separately issued financial statements for the Foundation can be obtained from the Treasurer of the District 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 11. 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 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 23-25 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in one private-purpose trust fund. The District also acts in a trustee capacity as an agent for student managed activities. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. 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 29-62 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 36,807,893	\$ 36,278,103
Capital assets, net	<u>8,176,892</u>	<u>8,628,645</u>
Total assets	<u>44,984,785</u>	<u>44,906,748</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows of resources	<u>53,895</u>	<u>66,098</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,710,376	5,275,617
Long-term liabilities	<u>5,332,774</u>	<u>5,916,201</u>
Total liabilities	<u>12,043,150</u>	<u>11,191,818</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows of resources	<u>23,683,408</u>	<u>26,326,399</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	5,346,397	5,274,094
Restricted	886,272	928,146
Unrestricted	<u>3,079,453</u>	<u>1,252,389</u>
Total net position	<u>\$ 9,312,122</u>	<u>\$ 7,454,629</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$9,312,122.

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

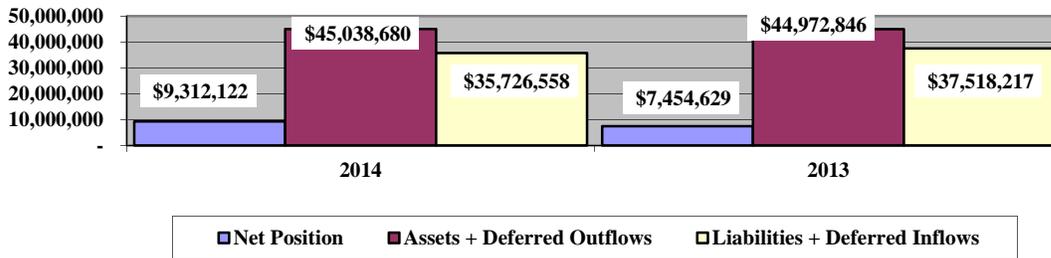
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At year-end, capital assets represented 18.18% of total assets. Capital assets include land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment, and vehicles. Net investment in capital assets was \$5,346,397. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$886,272, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position balance is \$3,079,453.

The table below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and 2013.

**Governmental Activities**



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities 2014	Governmental Activities 2013
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 5,123,674	\$ 5,286,005
Operating grants and contributions	6,987,542	6,016,032
General revenues:		
Property taxes	29,464,835	26,340,186
Grants and entitlements	14,937,052	14,350,612
Investment earnings	6,628	5,136
Payment in lieu of taxes	45,807	42,243
Other	33,771	32,575
Total revenues	<u>56,599,309</u>	<u>52,072,789</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Change in Net Position (Continued)**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 21,682,358	\$ 21,593,413
Special	7,054,334	5,808,511
Vocational	1,274,054	936,219
Other	4,367,917	4,269,150
Support services:		
Pupil	4,218,124	4,194,844
Instructional staff	1,442,499	1,303,926
Board of education	105,969	98,059
Administration	3,273,344	2,701,220
Fiscal	891,004	1,188,477
Business	261,656	376,618
Operations and maintenance	4,814,079	4,503,834
Pupil transportation	1,383,050	1,410,340
Central	55,675	379,062
Operations of non-instructional services:		
Other non-instructional services	914,609	1,294,682
Food service operations	1,730,425	1,556,307
Extracurricular activities	1,157,446	1,132,178
Interest and fiscal charges	<u>115,273</u>	<u>132,029</u>
Total expenses	<u>54,741,816</u>	<u>52,878,869</u>
Change in net position	<u>1,857,493</u>	<u>(806,080)</u>
Net position at beginning of year	<u>7,454,629</u>	<u>8,260,709</u>
Net position at end of year	<u>\$ 9,312,122</u>	<u>\$ 7,454,629</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$1,857,493. Total governmental expenses of \$54,741,816 were offset by program revenues of \$12,111,216 and general revenues of \$44,488,093. Program revenues supported 22.12% of the total governmental expenses. The increase of \$809,179 in program revenues is the result of an increase of roughly \$747,000 in special education State foundation funding.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 78.45% of the total governmental revenue. Real estate property is reappraised every six years. Property tax revenues increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Summit County Fiscal Officer. Tax advances available are recorded as revenue under accounting principles generally accepted in the United States of America (GAAP). The amount of tax advances available at June 30, 2014, 2013 and 2012 was \$3,966,448, \$1,231,137 and \$2,816,496, respectively. The amount of tax advance available at year-end can vary depending upon when the county Fiscal Officer distribute tax bills. Grants and entitlements increased \$586,440. This increase was mainly due to other State foundation funding increases for overall operations of the District.

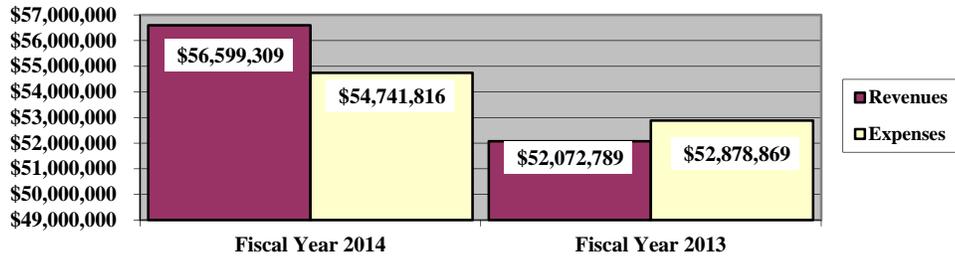
**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Overall expenses of the District increased \$1,862,947 or 3.52%. While many functional expenses showed increases from the prior year, the most significant increase was in the area of special instruction which increased \$1,245,823. This increase was the result of increased spending related to special education preschool and the Title VI-B grant.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 21,682,358	\$ 17,947,454	\$ 21,593,413	\$ 17,455,424
Special	7,054,334	3,036,997	5,808,511	3,274,294
Vocational	1,274,054	1,025,762	936,219	689,338
Other	4,367,917	4,068,356	4,269,150	3,980,564
Support services:				
Pupil	4,218,124	4,109,152	4,194,844	4,016,180
Instructional staff	1,442,499	1,318,573	1,303,926	1,042,580
Board of education	105,969	105,969	98,059	98,059
Administration	3,273,344	3,152,326	2,701,220	2,571,162
Fiscal	891,004	891,004	1,188,477	1,188,062
Business	261,656	261,656	376,618	376,618
Operations and maintenance	4,814,079	4,442,314	4,503,834	4,137,924
Pupil transportation	1,383,050	1,248,486	1,410,340	1,292,630
Central	55,675	47,904	379,062	350,388
Operations of non-instructional services:				
Other non-instructional services	914,609	(78,380)	1,294,682	328,144
Food service operations	1,730,425	96,238	1,556,307	(142,723)
Extracurricular activities	1,157,446	841,516	1,132,178	786,159
Interest and fiscal charges	115,273	115,273	132,029	132,029
<b>Total expenses</b>	<u>\$ 54,741,816</u>	<u>\$ 42,630,600</u>	<u>\$ 52,878,869</u>	<u>\$ 41,576,832</u>

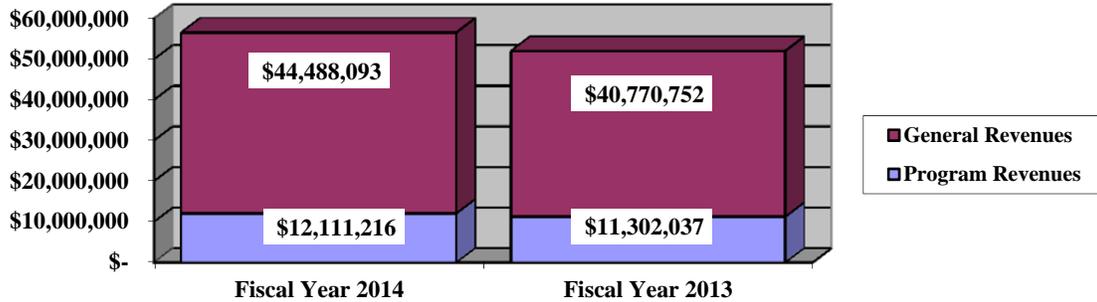
**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The dependence upon tax and other general revenues for governmental activities is apparent, as 75.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.88%. 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 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$4,208,579, which is higher than last year's balance of \$2,530,606. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Change</u>
General	\$ 2,941,955	\$ 1,169,060	\$ 1,772,895
Other Governmental	1,266,624	1,361,546	(94,922)
<b>Total</b>	<b><u>\$ 4,208,579</u></b>	<b><u>\$ 2,530,606</u></b>	<b><u>\$ 1,677,973</u></b>

**General Fund**

During fiscal year 2014, the District's general fund balance increased \$1,772,895 to a fund balance of \$2,941,955.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 29,107,105	\$ 26,014,304	\$ 3,092,801	11.89 %
Tuition	3,226,155	3,279,618	(53,463)	(1.63) %
Earnings on investments	6,628	5,136	1,492	29.05 %
Intergovernmental	17,466,288	15,931,162	1,535,126	9.64 %
Other revenues	<u>414,603</u>	<u>712,874</u>	<u>(298,271)</u>	(41.84) %
Total	<u>\$ 50,220,779</u>	<u>\$ 45,943,094</u>	<u>\$ 4,277,685</u>	9.31 %
<b><u>Expenditures</u></b>				
Instruction	\$ 31,959,467	\$ 30,933,257	\$ 1,026,210	3.32 %
Support services	15,637,220	15,296,743	340,477	2.23 %
Non-instructional	3,715	185,197	(181,482)	(97.99) %
Extracurricular activities	796,114	770,463	25,651	3.33 %
Facilities acquisition and construction	15,548	3,142	12,406	394.84 %
Capital outlay	-	163,562	(163,562)	(100.00) %
Debt service	<u>35,820</u>	<u>36,264</u>	<u>(444)</u>	(1.22) %
Total	<u>\$ 48,447,884</u>	<u>\$ 47,388,628</u>	<u>\$ 1,059,256</u>	2.24 %

Revenues of the general fund increased \$4,277,685 or 9.31%. The most significant increases were in the areas of taxes and intergovernmental. Tax revenues increased by \$3,092,801. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the County Fiscal Officer at June 30, 2014 versus June 30, 2013. This variance resulted in more tax revenue being reported in fiscal year 2014. The amount of tax advances available from the County Fiscal Officer can vary depending upon when tax bills are mailed. Intergovernmental revenues increased \$1,535,126 or 9.64%. This increase is the result of increased State foundation funding related to special education.

Expenditures of the general fund increased \$1,059,256 or 2.24%. The most significant increase was in the area of instruction which increased \$1,026,210 or 3.32%. This increase was mostly due to an increase in special education costs related to wages and benefits.

***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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$49,696,300 were decreased to \$48,378,199 in final budget. Actual revenues and other financing sources for fiscal year 2014 were \$47,985,166 which was \$393,033 less than budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$46,836,510 were increased to \$48,326,271 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$48,320,777.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2014, the District had \$8,176,892 invested in land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,321,765	\$ 1,321,765
Land improvements	677,619	759,677
Building and improvements	5,405,391	5,780,844
Improvements other than buildings	132,393	-
Furniture and equipment	423,369	472,831
Vehicles	216,355	293,528
Total	\$ 8,176,892	\$ 8,628,645

The overall decrease in capital assets of \$451,753 is due to current year depreciation expense of \$620,118 exceeding capital outlays of \$168,365.

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

*Debt Administration*

At June 30, 2014, the District had \$2,772,566 in general obligation bonds and capital leases outstanding. Of this total, \$522,083 is due within one year and \$2,250,483 is due in more than one year. The following table summarizes the bonds and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Governmental obligation bonds	\$ 2,655,000	\$ 3,135,000
Capital Leases	117,566	148,507
Total	\$ 2,772,566	\$ 3,283,507

At June 30, 2014, the District had a voted debt margin of \$64,400,268 and an unvoted debt margin of \$741,295.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 POSITION  
JUNE 30, 2014

	<b>Primary Government</b>	<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Cuyahoga Falls School Foundation</b>	<b>Schnee Learning Center</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 7,644,257	\$ 796,097	\$ 96,007
Receivables:			
Property taxes . . . . .	28,127,485	-	-
Accounts. . . . .	332	-	1,130
Intergovernmental . . . . .	493,503	-	-
Due from component unit . . . . .	438,455	-	-
Prepayments . . . . .	18,882	-	1,500
Materials and supplies inventory. . . . .	84,979	-	-
Capital assets:			
Nondepreciable capital assets . . . . .	1,321,765	-	-
Depreciable capital assets, net. . . . .	6,855,127	-	-
Capital assets, net. . . . .	<u>8,176,892</u>	<u>-</u>	<u>-</u>
Total assets. . . . .	<u>44,984,785</u>	<u>796,097</u>	<u>98,637</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	53,895	-	-
Total deferred outflows of resources . . . . .	<u>53,895</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	429,922	-	7,024
Accrued wages and benefits payable . . . . .	3,720,407	-	-
Pension obligation payable. . . . .	626,646	-	-
Intergovernmental payable . . . . .	1,258,972	-	-
Unearned revenue . . . . .	67,842	-	-
Accrued interest payable . . . . .	9,306	-	-
Due to primary government . . . . .	-	-	438,455
Claims payable. . . . .	597,281	-	-
Long-term liabilities:			
Due within one year. . . . .	875,202	-	-
Due in more than one year. . . . .	4,457,572	-	-
Total liabilities . . . . .	<u>12,043,150</u>	<u>-</u>	<u>445,479</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . .	23,683,408	-	-
Total deferred inflows of resources . . . . .	<u>23,683,408</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	5,346,397	-	-
Restricted for:			
Debt service. . . . .	337,803	-	-
Locally funded programs . . . . .	2,378	-	-
State funded programs. . . . .	84,447	-	-
Federally funded programs . . . . .	10,855	-	-
Student activities . . . . .	138,234	-	-
Food service operations . . . . .	312,555	-	-
Unrestricted . . . . .	3,079,453	796,097	(346,842)
Total net position. . . . .	<u>\$ 9,312,122</u>	<u>\$ 796,097</u>	<u>\$ (346,842)</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, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
				Primary Government
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 21,682,358	\$ 3,248,955	\$ 485,949	\$ (17,947,454)
Special . . . . .	7,054,334	594,002	3,423,335	(3,036,997)
Vocational . . . . .	1,274,054	22,983	225,309	(1,025,762)
Other . . . . .	4,367,917	-	299,561	(4,068,356)
Support services:				
Pupil. . . . .	4,218,124	149	108,823	(4,109,152)
Instructional staff . . . . .	1,442,499	5,868	118,058	(1,318,573)
Board of education . . . . .	105,969	-	-	(105,969)
Administration. . . . .	3,273,344	6,293	114,725	(3,152,326)
Fiscal. . . . .	891,004	-	-	(891,004)
Business. . . . .	261,656	-	-	(261,656)
Operations and maintenance . . . . .	4,814,079	343,351	28,414	(4,442,314)
Pupil transportation. . . . .	1,383,050	26,656	107,908	(1,248,486)
Central . . . . .	55,675	7,771	-	(47,904)
Operation of non-instructional services:				
Other non-instructional services . . . . .	914,609	-	992,989	78,380
Food service operations . . . . .	1,730,425	562,468	1,071,719	(96,238)
Extracurricular activities. . . . .	1,157,446	305,178	10,752	(841,516)
Interest and fiscal charges . . . . .	115,273	-	-	(115,273)
Total governmental activities . . . . .	<u>\$ 54,741,816</u>	<u>\$ 5,123,674</u>	<u>\$ 6,987,542</u>	<u>(42,630,600)</u>
<b>Component units</b>				
Cuyahoga Falls Schools Foundation . . . . .	\$ 206,396	\$ -	\$ 290,917	\$ -
Schnee Learning Center . . . . .	1,074,771	-	953,708	-
Total component units . . . . .	<u>\$ 1,281,167</u>	<u>\$ -</u>	<u>\$ 1,244,625</u>	<u>-</u>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				28,896,084
Debt service. . . . .				568,751
Payments in lieu of taxes. . . . .				45,807
Grants and entitlements not restricted to specific programs . . . . .				14,937,052
Investment earnings . . . . .				6,628
Miscellaneous . . . . .				33,771
Total general revenues . . . . .				<u>44,488,093</u>
Change in net position . . . . .				1,857,493
<b>Net position at beginning of year . . . . .</b>				<u>7,454,629</u>
<b>Net position at end of year. . . . .</b>				<u>\$ 9,312,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,843,543	\$ 1,359,488	\$ 6,203,031
Receivables:			
Property taxes . . . . .	27,597,605	529,880	28,127,485
Accounts . . . . .	332	-	332
Intergovernmental . . . . .	493,503	-	493,503
Due from component unit . . . . .	344,130	94,325	438,455
Prepayments . . . . .	18,882	-	18,882
Materials and supplies inventory . . . . .	58,693	26,286	84,979
Total assets . . . . .	<u>\$ 33,356,688</u>	<u>\$ 2,009,979</u>	<u>\$ 35,366,667</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 286,815	\$ 141,747	\$ 428,562
Accrued wages and benefits payable . . . . .	3,699,812	20,595	3,720,407
Compensated absences payable . . . . .	242,534	-	242,534
Intergovernmental payable . . . . .	1,252,673	6,299	1,258,972
Unearned revenue . . . . .	25,722	1,000	26,722
Pension obligation payable . . . . .	601,404	25,242	626,646
Total liabilities . . . . .	<u>6,108,960</u>	<u>194,883</u>	<u>6,303,843</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	23,237,691	445,717	23,683,408
Delinquent property tax revenue not available . . . . .	469,199	8,430	477,629
Miscellaneous revenues not available . . . . .	598,883	94,325	693,208
Total deferred inflows of resources . . . . .	<u>24,305,773</u>	<u>548,472</u>	<u>24,854,245</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	58,693	26,286	84,979
Prepays . . . . .	18,882	-	18,882
Unclaimed monies . . . . .	1,369	-	1,369
Restricted:			
Debt service . . . . .	-	338,679	338,679
Food service operations . . . . .	-	339,560	339,560
Non-public schools . . . . .	-	84,447	84,447
Vocational education . . . . .	-	12,031	12,031
Other purposes . . . . .	-	2,378	2,378
Extracurricular activities . . . . .	-	138,234	138,234
Committed:			
Capital improvements . . . . .	-	324,682	324,682
Other purposes . . . . .	12,025	327	12,352
Assigned:			
Student instruction . . . . .	164,781	-	164,781
Student and staff support . . . . .	171,484	-	171,484
Operation of non-instructional services . . . . .	150	-	150
Facilities acquisition and construction . . . . .	1,309	-	1,309
Uniform school supplies . . . . .	90,499	-	90,499
Adult education . . . . .	6,089	-	6,089
Other purposes . . . . .	15,430	-	15,430
Unassigned . . . . .	2,401,244	-	2,401,244
Total fund balances . . . . .	<u>2,941,955</u>	<u>1,266,624</u>	<u>4,208,579</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 33,356,688</u>	<u>\$ 2,009,979</u>	<u>\$ 35,366,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	4,208,579
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,176,892
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	477,629	
Accounts receivable		35,733	
Due from component unit		438,455	
Intergovernmental receivable		219,020	
Total			1,170,837
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 position.			801,465
Unamortized premiums on bonds issued are not recognized in the funds.			(111,824)
Unamortized amounts on refundings are not recognized in the funds.			53,895
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(9,306)
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		(2,655,000)	
Capital lease obligations		(117,566)	
Compensated absences		(2,205,850)	
Total			(4,978,416)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>9,312,122</b>

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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 29,061,848	\$ 572,001	\$ 29,633,849
Payment in lieu of taxes . . . . .	45,257	550	45,807
Tuition. . . . .	3,226,155	-	3,226,155
Transportation fees. . . . .	26,656	-	26,656
Earnings on investments . . . . .	6,628	361	6,989
Charges for services . . . . .	-	567,934	567,934
Extracurricular. . . . .	159,448	282,772	442,220
Classroom materials and fees . . . . .	100,602	-	100,602
Rental income . . . . .	-	266,989	266,989
Contract services. . . . .	17,123	-	17,123
Other local revenues . . . . .	110,774	11,752	122,526
Intergovernmental - state . . . . .	17,347,234	1,109,528	18,456,762
Intergovernmental - federal . . . . .	119,054	3,305,819	3,424,873
Total revenues . . . . .	<u>50,220,779</u>	<u>6,117,706</u>	<u>56,338,485</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	20,718,815	541,873	21,260,688
Special . . . . .	5,956,064	1,063,640	7,019,704
Vocational . . . . .	1,209,499	59,858	1,269,357
Other . . . . .	4,075,089	299,561	4,374,650
Support services:			
Pupil . . . . .	4,081,936	108,958	4,190,894
Instructional staff . . . . .	1,377,481	118,261	1,495,742
Board of education . . . . .	105,969	-	105,969
Administration . . . . .	3,116,109	114,725	3,230,834
Fiscal . . . . .	877,857	8,801	886,658
Business. . . . .	273,130	-	273,130
Operations and maintenance . . . . .	4,340,718	360,776	4,701,494
Pupil transportation . . . . .	1,413,411	-	1,413,411
Central . . . . .	50,609	-	50,609
Operation of non-instructional services:			
Other non-instructional services . . . . .	3,715	909,620	913,335
Food service operations. . . . .	-	1,715,823	1,715,823
Extracurricular activities . . . . .	796,114	303,035	1,099,149
Facilities acquisition and construction. . . . .	15,548	3,047	18,595
Debt service:			
Principal retirement. . . . .	30,941	480,000	510,941
Interest and fiscal charges . . . . .	4,879	124,650	129,529
Total expenditures . . . . .	<u>48,447,884</u>	<u>6,212,628</u>	<u>54,660,512</u>
Net change in fund balances . . . . .	1,772,895	(94,922)	1,677,973
<b>Fund balances at beginning of year. . . . .</b>	<u>1,169,060</u>	<u>1,361,546</u>	<u>2,530,606</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 2,941,955</u>	<u>\$ 1,266,624</u>	<u>\$ 4,208,579</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, 2014**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>1,677,973</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 168,365	
Current year depreciation	(620,118)	
Total		(451,753)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(169,014)	
Tuition	398,992	
Intergovernmental	111,587	
Total		341,565
 Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	480,000	
Capital leases	30,941	
Total		510,941
 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:		
Accrued interest payable	1,141	
Amortization of bond premiums	25,318	
Amortization of deferred charges	(12,203)	
Total		14,256
 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.		
		(202,179)
 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.		
		(33,310)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,857,493</b>

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, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 29,124,522	\$ 27,366,114	\$ 27,142,954	\$ (223,160)
Payment in lieu of taxes. . . . .	47,415	45,629	45,257	(372)
Tuition. . . . .	3,543,561	3,263,837	3,237,222	(26,615)
Transportation fees. . . . .	25,070	26,875	26,656	(219)
Earnings on investments . . . . .	4,360	6,682	6,628	(54)
Extracurricular. . . . .	20,982	20,271	20,106	(165)
Other local revenues . . . . .	38,150	34,049	33,771	(278)
Intergovernmental - state . . . . .	16,678,741	17,314,346	17,173,155	(141,191)
Intergovernmental - federal . . . . .	163,499	120,033	119,054	(979)
Total revenues . . . . .	<u>49,646,300</u>	<u>48,197,836</u>	<u>47,804,803</u>	<u>(393,033)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	19,993,939	20,283,484	20,281,140	2,344
Special. . . . .	5,023,220	5,230,199	5,229,595	604
Vocational. . . . .	1,043,242	1,213,630	1,213,490	140
Other. . . . .	3,832,716	4,078,817	4,078,346	471
Support services:				
Pupil. . . . .	3,581,606	4,049,676	4,049,208	468
Instructional staff . . . . .	1,862,371	1,549,524	1,549,345	179
Board of education . . . . .	130,817	105,224	105,212	12
Administration. . . . .	2,781,592	3,077,151	3,076,796	355
Fiscal . . . . .	795,810	880,049	879,947	102
Business . . . . .	404,912	280,779	280,747	32
Operations and maintenance. . . . .	4,695,916	4,564,312	4,563,785	527
Pupil transportation . . . . .	1,434,127	1,430,870	1,430,705	165
Central. . . . .	46,334	42,989	42,984	5
Other operation of non-instructional services . . . . .	2,467	730	730	-
Extracurricular activities. . . . .	753,754	763,910	763,822	88
Facilities acquisition and construction . . . . .	31,237	20,466	20,464	2
Total expenditures . . . . .	<u>46,414,060</u>	<u>47,571,810</u>	<u>47,566,316</u>	<u>5,494</u>
Excess of revenues over expenditures. . . . .	<u>3,232,240</u>	<u>626,026</u>	<u>238,487</u>	<u>(387,539)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	50,000	169,363	169,363	-
Refund of prior year's receipts. . . . .	(422,450)	(422,437)	(422,437)	-
Transfers in . . . . .	-	11,000	11,000	-
Transfers (out). . . . .	-	(332,024)	(332,024)	-
Total other financing sources (uses) . . . . .	<u>(372,450)</u>	<u>(574,098)</u>	<u>(574,098)</u>	<u>-</u>
Net change in fund balance . . . . .	2,859,790	51,928	(335,611)	(387,539)
<b>Fund balance at beginning of year . . . . .</b>	<b>4,407,654</b>	<b>4,407,654</b>	<b>4,407,654</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>108,514</b>	<b>108,514</b>	<b>108,514</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 7,375,958</u></b>	<b><u>\$ 4,568,096</u></b>	<b><u>\$ 4,180,557</u></b>	<b><u>\$ (387,539)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,441,226
Total assets . . . . .	<u>1,441,226</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	1,360
Claims payable . . . . .	597,281
Unearned revenue . . . . .	<u>41,120</u>
Total liabilities . . . . .	<u>639,761</u>
 <b>Net position:</b>	
Unrestricted . . . . .	<u>801,465</u>
Total net position . . . . .	<u><u>\$ 801,465</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 POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 6,704,192
Total operating revenues . . . . .	<u>6,704,192</u>
<b>Operating expenses:</b>	
Personal services. . . . .	41,676
Purchased services. . . . .	81,865
Materials and supplies . . . . .	3,618
Other. . . . .	219
Claims . . . . .	6,610,124
Total operating expenses. . . . .	<u>6,737,502</u>
Operating loss/change in net position. . .	<u>(33,310)</u>
<b>Net position at beginning of year. . . . .</b>	<u>834,775</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 801,465</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, 2014

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 6,745,312
Cash payments for personal services. . . . .	(41,676)
Cash payments for contractual services . . . . .	(80,505)
Cash payments for materials and supplies . . . . .	(3,618)
Cash payments for claims . . . . .	(6,621,811)
Cash payments for other expenses . . . . .	(219)
	(2,517)
Net cash used in operating activities . . . . .	(2,517)
Net decrease in cash and cash equivalents . . . . .	(2,517)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>1,443,743</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,441,226</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (33,310)
Changes in assets and liabilities:	
Accounts payable . . . . .	1,360
Unearned revenue . . . . .	41,120
Claims payable . . . . .	(11,687)
	(2,517)
Net cash used in operating activities. . . . .	\$ (2,517)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 41,010	\$ 107,586
Total assets. . . . .	<u>41,010</u>	<u>\$ 107,586</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 13,781
Due to students. . . . .	-	93,805
Total liabilities . . . . .	<u>-</u>	<u>\$ 107,586</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>41,010</u>	
Total net position. . . . .	<u>\$ 41,010</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 10
Gifts and contributions . . . . .	9,612
Total additions . . . . .	9,622
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,000
Change in net position . . . . .	6,622
<b>Net position at beginning of year . . . . .</b>	<b>34,388</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 41,010</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 239 non-certified and 383 certified full-time and part-time employees to provide services to 4,962 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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.

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Network for Educational Technology (NEOnet)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The Council employs an Executive Director who works cooperatively with a nine-member Board of Directors consisting of four superintendents, the Portage Lakes Career Center superintendent, three members of the treasurers' committee and one member of the technology committee. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEOnet including budgeting, appropriating, contracting and designating management. All revenues are generated from State funding and an annual fee per student to participating districts. The Metropolitan Regional Services Council and NEOnet are located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the current fiscal year, the District contributed \$160,859 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 199 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 2014, the District paid \$1,019 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, 2014

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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, 2014

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. During fiscal year 2014, the District had an agency fund that accounts for student managed activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. 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, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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 2014 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.
5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The original budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year.

**F. Cash and Investments**

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

During fiscal year 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$6,628 which includes \$2,544 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated assets are recorded at their 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 50 years
Improvements other than buildings	10-20 years
Furniture and equipment	5 - 30 years
Vehicles	5 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 position. The District had no interfund loans at June 30, 2014.

**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 it is probable that the benefits will result in termination (severance) payments. Sick leave benefits are accrued as a liability using the termination payment method. The liability is an estimate based on the District’s past experience of making termination payments.

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

**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.

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

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

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

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

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**P. Net Position**

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

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

**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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$2,522,462. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,623,544 of the District's bank balance of \$2,879,863 was exposed to custodial credit risk as discussed below, while \$1,256,484 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 5,270,391	\$ 5,270,391

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District has no policy dealing with credit risk beyond the requirements of State statute.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,270,391	100.00

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,522,462
Investments	<u>5,270,391</u>
Total	<u>\$ 7,792,853</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,644,257
Private-purpose trust funds	41,010
Agency funds	<u>107,586</u>
Total	<u>\$ 7,792,853</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$3,890,715 in the general fund and \$75,733 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,207,000 in the general fund and \$24,137 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 736,065,280	99.50	\$ 737,362,390	99.47
Public utility personal	<u>3,666,850</u>	<u>0.50</u>	<u>3,933,040</u>	<u>0.53</u>
Total	<u>\$ 739,732,130</u>	<u>100.00</u>	<u>\$ 741,295,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$69.08		\$69.08	
Bond retirement	0.84		0.81	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 28,127,485
Accounts	332
Intergovernmental	493,503
Due from component unit	<u>438,455</u>
Total	<u>\$ 29,059,775</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental activities:</b>				
<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	2,723,362	-	-	2,723,362
Buildings and improvements	23,437,026	-	-	23,437,026
Improvements other than buildings	-	135,788	-	135,788
Furniture and equipment	1,657,196	32,577	-	1,689,773
Vehicles	1,799,440	-	-	1,799,440
Total capital assets, being depreciated	<u>29,617,024</u>	<u>168,365</u>	<u>-</u>	<u>29,785,389</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,963,685)	(82,058)	-	(2,045,743)
Buildings and improvements	(17,656,182)	(375,453)	-	(18,031,635)
Improvements other than buildings	-	(3,395)	-	(3,395)
Furniture and equipment	(1,184,365)	(82,039)	-	(1,266,404)
Vehicles	(1,505,912)	(77,173)	-	(1,583,085)
Total accumulated depreciation	<u>(22,310,144)</u>	<u>(620,118)</u>	<u>-</u>	<u>(22,930,262)</u>
Governmental activities capital assets, net	<u>\$ 8,628,645</u>	<u>\$ (451,753)</u>	<u>\$ -</u>	<u>\$ 8,176,892</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 295,424
Special	1,751
Vocational	1,646

Support services:

Pupil	2,183
Instructional staff	2,424
Administration	1,834
Business	2,991
Operations and maintenance	127,273
Pupil transportation	99,831
Central	5,176

Operation of non-instructional services:

Other non-instructional services	20,764
Food service operations	4,393
Extracurricular activities	54,428
Total depreciation expense	<u>\$ 620,118</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 8 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

During a prior fiscal year, the District entered into capitalized leases for copier equipment. This lease agreement meets the criteria of capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$163,562. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 for copiers was \$49,068, leaving a current book value of \$114,494. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$30,941 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, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 35,820
2016	35,820
2017	35,820
2018	<u>17,910</u>
Total minimum lease payments	125,370
Less: Amount representing interest	<u>(7,804)</u>
Total	<u>\$ 117,566</u>

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**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:						
2009 refunding bonds	3.00 - 5.00%	\$ 3,135,000	\$ -	\$ (480,000)	\$ 2,655,000	\$ 490,000
Total General Obligation Bonds		<u>3,135,000</u>	<u>-</u>	<u>(480,000)</u>	<u>2,655,000</u>	<u>490,000</u>
Other Long-term Obligations:						
Capital lease obligation		148,507	-	(30,941)	117,566	32,083
Compensated absences		<u>2,495,552</u>	<u>534,739</u>	<u>(581,907)</u>	<u>2,448,384</u>	<u>353,119</u>
Total Other Long-term Obligations		<u>2,644,059</u>	<u>534,739</u>	<u>(612,848)</u>	<u>2,565,950</u>	<u>385,202</u>
Total		<u>\$ 5,779,059</u>	<u>\$ 534,739</u>	<u>\$ (1,092,848)</u>	<u>\$ 5,220,950</u>	<u>\$ 875,202</u>
				Add: Unamortized premium on bond issue	<u>111,824</u>	
				Total on statement of net position	<u>\$ 5,332,774</u>	

Series 2009 Refunding General Obligation Bonds: On October 29, 2009, the District issued general obligation bonds (Series 2009 Refunding Bonds) to advance refund the callable portion of the Series 1999 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 1999 current interest bonds at June 30, 2014, 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).

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

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

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

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ending June 30,	<u>2009 Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 490,000	\$ 107,650	\$ 597,650
2016	510,000	87,650	597,650
2017	530,000	66,850	596,850
2018	550,000	42,500	592,500
2019	575,000	14,375	589,375
Total	<u>\$ 2,655,000</u>	<u>\$ 319,025</u>	<u>\$ 2,974,025</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$64,400,268 (including available funds of \$338,679) and an unvoted debt margin of \$741,295.

**NOTE 10 - RISK MANAGEMENT**

**A. General Risk**

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

	<u>Coverage</u>	<u>Deductible</u>
Property Insurance - District	\$122,710,651	\$5,000
Property Insurance - Newberry	5,035,619	5,000
Liability Insurance	1,000,000/2,000,000	0/0
Fleet Insurance	1,000,000	1,000 Comprehensive 1,000 Collision

**B. Health Insurance**

The claims liability of \$597,281 reported in the basic financial statements at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claim.

A summary of changes in self-insurance claims for the years ended June 30, 2014 and June 30, 2013:

<u>Fiscal Year</u>	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance End of Year</u>
2014	\$ 608,968	\$ 6,610,124	\$ (6,621,811)	\$ 597,281
2013	766,765	6,392,545	(6,550,342)	608,968

**NOTE 11 - 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](http://www.ohsers.org), under "*Employers/Audit Resources*".

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$826,057, \$816,886 and \$774,087, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**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](http://www.strsoh.org), under "Publications".

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.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$2,871,928, \$2,812,807 and \$2,792,082, respectively; 83.98 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$190,407 made by the District and \$149,606 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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](http://www.ohsers.org), under "Employers/Audit Resources".

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$117,611, \$99,700 and \$155,778, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$47,924, \$46,145 and \$45,714, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**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](http://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 2014, 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, 2014, 2013 and 2012 were \$220,918, \$216,370 and \$214,776, respectively; 83.98 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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	\$ (335,611)
Net adjustment for revenue accruals	2,069,370
Net adjustment for expenditure accruals	(594,172)
Net adjustment for other sources/uses	253,074
Funds budgeted elsewhere	13,870
Adjustment for encumbrances	366,364
GAAP basis	<u>\$ 1,772,895</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund, the adult education fund, the special rotary fund, the public school support fund, the unclaimed monies fund and the under ground storage tank fund.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**NOTE 15 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	822,411
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(907,671)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (85,260)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - SET-ASIDES - (Continued)**

The District had current year expenditures that reduced the capital improvements set-aside amount to zero. During fiscal year 1999, the District issued \$8,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$7,802,131 at June 30, 2014.

**NOTE 16 - OTHER COMMITMENTS**

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

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General fund	\$ 260,389
Other governmental	223,069
	<hr/>
Total	\$ 483,458

**NOTE 17 - SCHNEE LEARNING CENTER**

The Schnee Learning Center (the "Center") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cuyahoga Falls City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Center, as part of the Sponsor District, is an approved tax-exempt organization. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Center may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Center. The Center is considered a component unit of the Cuyahoga Falls City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61 due to the significant services provided by the District to the Center, the Center's purpose of servicing the students within the District and the relationship between the Board of Education of the District and the Board of Trustees of the Center.

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

The Center was certified by the State of Ohio Secretary of State as a non-profit organization on July 22, 2005. The Center was approved for operation under a contract with the Sponsor for five years commencing July 1, 2005. On 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 123 students during fiscal year 2014.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 17 - SCHNEE LEARNING CENTER - (Continued)**

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 were provided by Jarvis and Associates through March 2014 and thereafter the treasurer and fiscal services were provided by Massa Financial Solutions, LLC.

The Sponsor, on a purchased services basis with the Center, provides planning, instructional, administrative and technical services. Personnel providing services to the Center on behalf of the Sponsor on the purchased services basis are employees of the 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, 2013 through June 30, 2014 can be found in Note 17.H.

**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'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, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. 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 and Cash Equivalents*** - Cash received by the Center is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. The Center did not have any investments during the period ended June 30, 2014.

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 17 - SCHNEE LEARNING CENTER - (Continued)**

*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.

*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.

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

*Intergovernmental Revenue* - The Center currently participates in the State Foundation Program. 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.

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

Under the above programs, the Center recorded \$907,107 this fiscal year from the Foundation Program and \$46,601 from Federal grants and other intergovernmental sources.

*Net Position* - Net position represent the difference between assets and liabilities. The net position component "invested in capital assets", consists of capital assets, net of accumulated depreciation. Net position 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 position 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 position 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - SCHNEE LEARNING CENTER - (Continued)**

*Exchange and Non-Exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Center on a reimbursement basis.

**B. Cash and Cash Equivalents**

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

At June 30, 2014, the carrying amount of the Center's deposits was \$96,007. Based upon the criteria described in GASB Statement No. 40, all of the Center's bank balance of \$153,565 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Center had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2014, none of the bank balance was exposed to custodial credit risk.

**C. Receivables**

The Center has intergovernmental receivables totaling \$1,130 at June 30, 2014. These receivables represented monies earned, but not received as of June 30, 2014.

**D. Capital Assets**

	Balance <u>7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2014</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	(6,125)	-	-	(6,125)
Software	<u>(138,508)</u>	<u>(49,770)</u>	<u>-</u>	<u>(188,278)</u>
Total accumulated depreciation	<u>(144,633)</u>	<u>(49,770)</u>	<u>-</u>	<u>(194,403)</u>
Net capital assets	<u>\$ 49,770</u>	<u>\$ (49,770)</u>	<u>\$ -</u>	<u>\$ -</u>

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - SCHNEE LEARNING CENTER - (Continued)**

**E. Risk Management**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2014, the Center contracted with Cincinnati Insurance Group for nonprofits and maintained general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate.

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

**F. Contingencies**

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

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

*Full-Time Equivalency* - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student

**G. Sponsor and Related Party Transactions**

During the fiscal year, the Center contracted with Cuyahoga Falls City School District for sponsor and overnight services as required by law. Sponsorship fees were calculated at 2% of per pupil funding received from the State of Ohio and equaled \$17,892 during 2014. In addition, the Center had expenses due to the District for rent, utilities, staffing and reimbursement of other miscellaneous expenses from the current year, as well as, past years. As of June 30, 2014, the total amount due to the District was \$438,455 and is shown on the statement of net position as "Due to Primary Government".

**H. Purchased Services**

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 868,702
Property services	123,570
Travel and meetings	395
Miscellaneous	<u>10,306</u>
Total	<u>\$ 1,002,973</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 17 - SCHNEE LEARNING CENTER - (Continued)**

**I. Going Concern**

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

The Center had an operating loss of (\$140,335), a decrease in net position of (\$93,734) and current liabilities exceeding current assets by \$346,842 during fiscal year 2014. Management intends to eliminate these deficits by increasing enrollment, reevaluating staffing levels and applying for grant funds.

**J. Subsequent Event**

The Center renewed its sponsorship agreement with the District in July 2014. In addition, the lease and services agreement with the District were also renewed in July 2014 for a one year period.

**NOTE 18 - CUYAHOGA FALLS SCHOOLS FOUNDATION**

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

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Grant Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	043836-3L60-2014	\$ 813,399	\$ 92,787	\$ 813,399	\$ 92,787
School Breakfast Program	10.553	043836-3L70-2014	154,794		154,794	
Total Child Nutrition Cluster			<u>968,193</u>	<u>92,787</u>	<u>968,193</u>	<u>92,787</u>
<b>Total U.S. Department of Agriculture</b>			<u>968,193</u>	<u>92,787</u>	<u>968,193</u>	<u>92,787</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	84.010	043836-3M00-2014	835,101		835,101	
Title VIB Special Education Grants to States	84.027	043836-3M20-2014	1,187,098		1,187,098	
Title IIA Improving Teacher Quality	84.367	043836-3Y60-2014	145,303		145,303	
English Language Acquisition Grants	84.365	043836-3Y70-2014	23,422		23,422	
<i>Passed Through Hudson City School District</i>						
Career and Technical Education-Basic Grants to States	84.048	043836-3L90-2014	53,915		52,659	
<b>Total U.S. Department of Education</b>			<u>2,244,839</u>	<u>-</u>	<u>2,243,583</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$3,213,032</u>	<u>\$ 92,787</u>	<u>\$ 3,211,776</u>	<u>\$ 92,787</u>

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

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cuyahoga Falls City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate discretely presented component unit and remaining fund information of Cuyahoga Falls City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2015, wherein we noted Schnee Learning Center was audited by other auditors.

### ***Internal Control Over Financial Reporting***

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Cuyahoga Falls City School District's, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Cuyahoga Falls City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2015

**CUYAHOGA FALLS CITY SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title 1 Grants to Local Education Agencies CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Cuyahoga Falls City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 19, 2012, include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 19, 2015

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# 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  
APRIL 2, 2015**