

CITY OF CUYAHOGA FALLS, OHIO

SINGLE AUDIT REPORT

DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Cuyahoga Falls
2310 Second St.
Cuyahoga Falls, OH 44221

We have reviewed the *Independent Auditor's Report* of the City of Cuyahoga Falls, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 15, 2006

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CITY OF CUYAHOGA FALLS, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Honorable Mayor, Finance Director,
and Members of City Council
City of Cuyahoga Falls, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cuyahoga Falls, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City of Cuyahoga Falls, Ohio's basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cuyahoga Falls, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by an error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cuyahoga Falls, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain matters that we have reported to the management of the City of Cuyahoga Falls, Ohio, in a separate letter dated June 27, 2006.

This report is intended solely for the information and use of management, members of the City Council, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 27, 2006

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Finance Director,
and Members of City Council
City of Cuyahoga Falls, Ohio

Compliance

We have audited the compliance of the City of Cuyahoga Falls, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City of Cuyahoga Falls, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the City of Cuyahoga Falls, Ohio's management. Our responsibility is to express an opinion on the City of Cuyahoga Falls, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cuyahoga Falls, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Cuyahoga Falls, Ohio's compliance with those requirements.

In our opinion, the City of Cuyahoga Falls, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City of Cuyahoga Falls, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City of Cuyahoga Falls, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over Federal compliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated June 27, 2006.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cuyahoga Falls, Ohio, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 27, 2006. Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Cuyahoga Falls, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, members of the City Council, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 27, 2006

**CITY OF CUYAHOGA FALLS, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Expenditures
<u>United States Department of Housing and Urban Development</u>			
<i>Direct Payment to the City</i>			
Community Development Block Grant	14.218	-	\$ 848,476
Total United States Department of Housing and Urban Development			<u>848,476</u>
<u>United States Department of Justice</u>			
<i>Direct Payment to the City</i>			
Byrne Grant for Tasers	16.607	2005DJBX1041	<u>12,112</u>
Total United States Department of Justice			<u>12,112</u>
<u>United States Department of Transportation</u>			
<i>Passed through the State of Ohio</i>			
Highway Planning and Construction	20.205	Front Street	472,372
Highway Safety - Traffic Enforcement Grant	20.600	5140.0	<u>6,884</u>
Total United States Department of Transportation			<u>479,256</u>
<u>United States Department of Homeland Security</u>			
<i>Direct Payment to the City</i>			
Assistance to Firefighters	97.044	EMW-2004-FG-21237	<u>85,120</u>
Total United States Department of Homeland Security			<u>85,120</u>
United States Environmental Protection Agency			
Brownfield Grant	66.811	66.8113978524	<u>153,726</u>
Total United States Environmental Protection Agency			<u>153,726</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,578,690</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF CUYAHOGA FALLS, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards of the City of Cuyahoga Falls, Ohio, presents the activity of all Federal financial assistance programs of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting and has been reconciled to the program's federal financial reports. The following is a reconciliation by grant from the cash basis to the accrual basis at December 31, 2005.

	<u>Direct Program Expenditures</u>
<u>Department of Housing and Urban Development</u>	
Cash Basis	\$ 756,875
Accrual Adjustment	<u>91,601</u>
Department of Housing and Urban Development - Accrual Basis	<u>\$ 848,476</u>
 <u>Department of Justice</u>	
Cash Basis	\$ 12,112
Accrual Adjustment	<u>0</u>
Department of Justice - Accrual Basis	<u>\$ 12,112</u>
 <u>Department of Transportation</u>	
Cash Basis	\$ 414,982
Accrual Adjustment	<u>64,324</u>
Department of Transportation - Accrual Basis	<u>\$ 479,256</u>
 <u>Department of Homeland Security</u>	
Cash Basis	\$ 85,120
Accrual Adjustment	<u>0</u>
Department of Homeland Security - Accrual Basis	<u>\$ 85,120</u>
 <u>Department of Environmental Protection Agency</u>	
Cash Basis	\$ 149,172
Accrual Adjustment	<u>4,554</u>
Department of Environmental Protection Agency - Accrual Basis	<u>\$ 153,726</u>

CITY OF CUYAHOGA FALLS, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 3: **REVOLVING LOANS**

The City of Cuyahoga Falls uses Federal funds received in the current and prior years to issue revolving loans. These loans are issued to qualified single family homeowners and are to be repaid to the City in monthly installments. Principal and interest received on these loans are used to issue new loans. The principal outstanding at December 31, 2005 was \$1,702,722.

**CITY OF CUYAHOGA FALLS, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinions	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): Community Development Block Grant - CFDA #14.218 Brownfield Grant - CFDA #66.811	
2005(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2005(ix)	Low Risk Auditee?	Yes

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

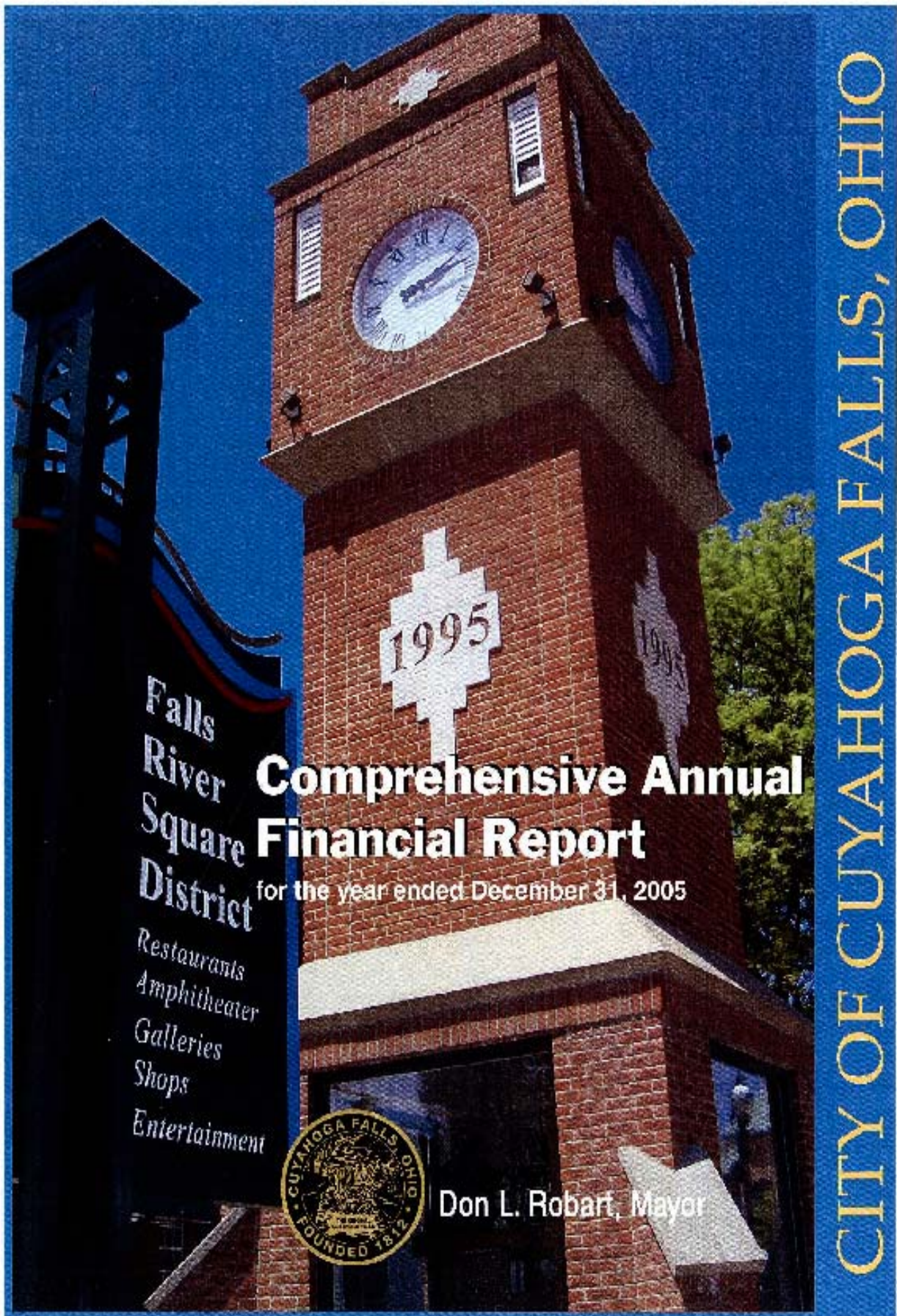
None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF CUYAHOGA FALLS, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The prior audit report, as of December 31, 2004, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



CITY OF CUYAHOOGA FALLS, OHIO

Comprehensive Annual Financial Report

for the year ended December 31, 2005

Falls
River
Square
District
Restaurants
Amphitheater
Galleries
Shops
Entertainment



Don L. Robart, Mayor

Cover Pictures:

In 2005, a new, upscale way finding signage program was created and installed in the downtown central business district of Cuyahoga Falls, OH. The new signage appropriately guides pedestrians and vehicles to downtown Cuyahoga Falls. The signs were designed with a whimsical flair to complement the Falls River Square District, depicting directions to downtown shops, restaurants, parking decks, and the Civic Center. Altogether, there are nineteen signs placed throughout the District, which convey the positive direction the downtown area is conveying.

***Special thanks to the following
employees for their assistance
in the preparation of this report:***

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Photography Compliments of:
Community Development Department

Cover Layout and Printing Provided by:
Western Reserve Printing

Comprehensive Annual Financial Report

For Fiscal Year Ended December 31, 2005



City of Cuyahoga Falls, Ohio

Don L. Robart, Mayor

Issued by the Department of Finance

Joseph F. Brodzinski, Finance Director



Printed on Recycled Paper

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City of Cuyahoga Falls, Ohio

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INTRODUCTORY SECTION



**CITY OF CUYAHOGA FALLS
DEPARTMENT OF FINANCE**

**2310 SECOND STREET
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*Telephone (330) 971-8230
FAX (330) 971-8168*

Joseph F. Brodzinski
Finance Director

Scott K. Fitzsimmons
Deputy Finance Director

June 29, 2006

Honorable Mayor Don L. Robart,
Members of City Council and the
Citizens of the City of Cuyahoga Falls, Ohio

The Comprehensive Annual Financial Report (CAFR) for the City of Cuyahoga Falls, Ohio (the “City”) for the year ended December 31, 2005, is hereby submitted. The responsibility for both the accuracy of the data and the completeness and fairness of presentation including all disclosures, rests with the City’s management. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner, which fairly presents the financial position and results of operations of the various funds of the City. All disclosures necessary to gain an understanding of the City's financial activities have been included.

The financial statements, schedules, and statistical tables included herein pertain to those functions, which are under the jurisdiction of the City Council and administered by the Mayor. These functions encompass all activities considered by the City to be a part of (controlled by or dependent on) the financial reporting entity. This is determined on the basis of the City's financial accountability for such operations. Financial accountability includes budget adoption, taxing authority, the existence of outstanding debt secured by the City or the obligation of the City to finance any deficits that might occur and selection of governing authority and influence of operations. The City does have financial accountability for The Community Improvement Corporation of Cuyahoga Falls (CIC) and has chosen to incorporate its data into these financial statements using the discrete method of presentation because CIC provides services to the primary government and the citizens of the City as opposed to only the primary government.

Based on the criteria for determining financial accountability, the financial statements do not include the financial activities of the Cuyahoga Falls or Woodridge School Districts (or any other school districts, which fall within the boundaries of the City). In addition, they do not contain financial information pertaining to the Taylor Memorial Public Library or Cuyahoga Falls General Hospital. The City does not have financial accountability for the aforementioned entities. The City is responsible for establishing and maintaining an internal control system designed to protect its assets from loss, theft or misuse. Furthermore, the accounting system must be adequate to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuations of costs and benefits require estimates and judgments by management. Management believes the internal control system is effective.

In accordance with Ohio law, each public office is required to have an independent audit at least once every two years unless an annual audit is required pursuant to The Single Audit Act of 1984. These audits are conducted by either the Auditor of the State, or if the Auditor permits, an independent public accounting firm. The current year audit was completed by James G. Zupka, CPA, Inc. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2005, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of the broader, federally mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with an emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report in the financial section of this report.

PROFILE OF THE GOVERNMENT

The City was incorporated as a village in 1868 and organized as a city after the 1920 census. The City is located in Summit County in northeastern Ohio, approximately 30 miles south of the City of Cleveland and lies on the northern border of the City of Akron. The City currently occupies a land area of 27.8 square miles and serves a population of 49,374 based on 2000 census figures. An appeal was granted on July 1, 2002 by the U.S. Census Bureau establishing 50,272 as the population of the City of Cuyahoga Falls.

The City operates under and is governed by its Charter (first adopted by the voters in 1959). The Charter may be and has been amended by the voters. Every five years a Charter Review Commission is appointed to review the City's Charter and make any recommendations to be voted upon by its residents. The City is also subject to certain general laws applicable to all cities. Under the Ohio Constitution, the City may exercise all powers of local self-government, and police powers to an extent that is not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government. The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to that office for a four-year term. The Mayor also serves as the Public Safety Director. All elected officials, except the Mayor, Clerk of Courts, and both Judges, serve on a part-time basis. The Mayor may veto any legislation passed by the Council. However, a veto may be overridden by a two-thirds vote of all members of the Council.

Legislative authority is vested in an eleven-member Council. Three members are elected at-large for four-year terms, and eight members are elected from wards for two-year terms. The presiding officer is the President, who is elected by the Council for a one-year term. The Charter establishes certain administrative departments and Council may establish divisions of those departments and additional departments. Subject to the approval of Council, the Mayor appoints the Directors of Finance, Public Service, Law and Community Development. The Superintendent of Parks and Recreation is appointed by the Parks and Recreation Board. This Board consists of City residents, three appointed by the Mayor and two appointed by the Cuyahoga Falls City School District Board of Education. The Mayor also appoints members to a number of other boards and commissions and appoints and removes, in accordance with Civil Service requirements, all appointed officers and employees, except Council officers and employees.

City of Cuyahoga Falls, Ohio

The City provides an extensive range of services including police and fire protection, emergency medical service, administration of justice, community planning and development, recreational and cultural activities, street maintenance and environmental services. Outside of the normal governmental services, the City also provides entrepreneurial activities such as sanitation, electric service, sewage disposal and water distribution and leisure time activities, including a wellness center, golf course, and outdoor water park.

The City is home to the Cuyahoga Falls Municipal Court, which serves 16 communities in the northeastern part of Summit County. The Municipal Court employs two Judges and a Clerk of Courts, all of whom are elected for a six-year term by the voters of the 16 communities.

The objective of budgetary controls is to ensure compliance with both the annual appropriated budget approved by City Council and the legal restrictions imposed by state and federal statutes as well. City Council must adopt an annual appropriations ordinance and budget resolution by December 31, of the preceding year. Appropriations may not exceed amounts certified by the County Budget Commission. The Finance Director may transfer appropriated amounts between accounts within funds, but City Council authorization is necessary to make interfund transfers. City Council authorizes appropriation amounts by fund and may amend appropriation levels during the year. As a management tool, budgetary control is maintained in all funds at the department level by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. The City continually evaluates its accounting and reporting system in an effort to improve internal accounting controls.

LOCAL ECONOMY

The Cleveland-Akron Consolidated Metropolitan Statistical Area (CMSA) is the 16th most populous CMSA of 19 in the United States with a population of 2,945,813. (Rankings are based on 2000 census figures.)

The 2000 census population of the City placed it as the second largest city in Summit County and the twentieth largest in the State of Ohio. In January 1986, the City merged with Northampton Township. This merger between Northampton Township and the City was the first merger of its type in the State. The merger increased the City's population by more than 16 percent and tripled the City's total land area.

Transportation services are provided by diversified venues through the City. Immediate access is available to one state highway (State Route 8), which also offers access to the Ohio Turnpike (Interstate 80) and Interstate Highways 76 and 77. The City is adjacent to areas served by Conrail and Amtrak, and is served by passenger air services at three airports, Cleveland-Hopkins International Airport, Akron-Canton Regional Airport and Akron Fulton International Airport. Public mass transit for the area is provided by the METRO Regional Transit Authority (a separate political subdivision) and long distance bus travel can be obtained from Greyhound bus lines.

The City is not subject to swift or erratic economic downturns because of its diversified income tax base, in which no single employer dominates the local economy. During 2005, ten major employers in the City collectively accounted for approximately 28 percent of the \$12,747,470 withholding taxes remitted to the City.

The 2000 Census reports that the median income for families who live in Cuyahoga Falls is slightly higher than other nationwide averages. The following is a comparative breakout of those medians.

<u>Census Population</u>	<u>Median Income</u>
City of Cuyahoga Falls	\$52,372
County	\$52,200
State	\$50,037
National	\$49,600

The 1986 merger between the City and Northampton Township (now Ward 8) has become a win-win situation for both parties. Due to increased land availability, the City has realized many new opportunities for industrial,

commercial, and residential development. This growth continues to be stimulated by the expansion of water and sewer lines into Ward 8. At the same time, the residents of Ward 8 are benefiting by receiving city-based services, which should ultimately have had a positive impact on current property values.

The City is experiencing an accelerated pace of growth and development throughout the community. Much of this successful development can be attributed to the merger. New building and redevelopment permit valuation, a reliable indicator of a community's condition, averaged \$48,020,552 over the last four years.

Future Economic Outlook

The City's vision is to keep Cuyahoga Falls a vibrant, healthy, attractive, and continually growing City. City officials continue in their visions of infrastructure improvements and new tax revenues for the City, as well as its school systems, jobs, shopping, housing, and recreational opportunities for residents and visitors alike.

Falls River Square, a permanent festival site, has become the premiere gathering spot for our community festivals, concerts, and outdoor activities. Falls River Square includes open space for festivals, an interactive water fountain for adolescent summer frolic, and an amphitheater for various activities from the Spring through the Fall. Activities on the site do not stop when the weather gets cold. Falls River Square includes a pavilion and an outdoor ice skating rink. The pavilion is booked throughout the year and its fireplace is a great way to warm up after skating on the rink, which is larger than the rink at Rockefeller Square in New York.

In conjunction with Falls River Square, the City used a U.S. EPA Brownfield Grant on the South Front Street Corridor. The project included public outreach, and Phase I and Phase II environmental assessments, along with corridor planning. This corridor was originally developed for industrial purposes and was once utilized as a major source of power along the Cuyahoga River. The Grant along with other future budgeted monies is allowing the City the unique opportunity to begin an extensive revitalization project along this corridor.

In 1996, the City increased its income tax rate from 1.5 percent to 2 percent. The vote to increase the income tax rate has had positive effects for the City's capital infrastructure program since the City has earmarked the proceeds of the increase solely for capital improvements. The City's Administration has exceeded this commitment every year since the passage of the increase. This foresight is due to strong beliefs within the Administration that strong city infrastructure is a cornerstone of a strong community.

The City received a bond upgrade from Moody's Investors Service from A1 to Aa3 in 2001. Moody's stated "The rating upgrade is due to the City's expanding tax base which continues to diversify, sound financial operations with increasing reserves and manageable debt burden." The bond rating upgrade was the City's first upgrade in 25 years, placing the City in the top 13% of all counties, cities, and school districts rated by Moody's in Ohio. A strong financial condition also anchors the cornerstone of a strong community. The belief was again affirmed in April 2004 with an almost \$15 million bond issue.

The Mayor, his administration, and the City Council are keenly aware of national and local economic conditions. The Mayor and his staff spend considerable amounts of time maintaining the financial strength of the City. Recently, the City opened discussions with one of its larger companies with plans of a \$22 million expansion and the creation of 80 new jobs. As businesses look to relocate or expand, City officials work overtime with these companies to accommodate their needs. These types of investments only strengthen the City's financial position. The City is also not reliant on one particular business for its main source of income taxes or property taxes. No business represents more than five percent of the City's two main sources of income. The City's administration also places a high emphasis on keeping Cuyahoga Falls a positive place to live and work. This can best be seen in the unemployment rates for the City consistently being two percentage points lower than the Summit County rate coupled with local home sales and the real estate market, which are generally ahead of the national trends. Employment within an area is expected to remain positive with wage increases slightly higher than cost of living trends. New development and business opportunities started in the last few years and in the near future will have a positive effect on income tax collections for years to come.

City of Cuyahoga Falls, Ohio

MAJOR INITIATIVES

In 2004, the City created a storm drainage utility funded with a \$2.00 per month charge for residents and \$2.00 per 3,000 square feet of impervious area. The Fund is expected to bring in approximately \$700,000 per year and will be used to protect public and private infrastructure from future flooding. This Fund also works in conjunction with other City legislation allowing voluntary storm water inspections within the City. These free and voluntary inspections are available to all homeowners and those interested in purchasing property in the City. The program was established and designed to determine if clean water is entering the sanitary sewer system through private property infiltration and inflow. A thorough evaluation of downspouts, drains, sump pumps, discharge points and laterals are included in the inspection. If problems are discovered, an assessment process is available to assist property owners remedy their problem.

The City is in the process of building a fifth fire station on Wyoga Lake Road. Residents of the City already enjoy one of the best response times in the area, which will be enhanced with the addition of this new station. The station will provide additional coverage to the northeast quadrant of the City along with quicker response times within some older sections of the City. When the total project is complete it will include a station, as well as, a state-of-the-art training facility. The training facility will be used in various ways by the City's Police and Fire Departments to accomplish important "hands on" training. Classroom training will also be provided in the basement of the station and utilized by other departments within the area as a regional outreach program.

The Information Services Department continues to keep pace with technology to improve City services. The City's award winning eGovernment program, Cuyahoga Falls Online, was implemented in 2005 and has been a tremendous success. The program provides centralized online access to City services. Residents can view Utility Bill information and pay online, sign up and pay for Parks and Recreation classes, golf tee times and facility reservations, prepare City income taxes and renew contractor licenses. Other online services will be added in 2006, which will include Building Permits, Code Enforcement and Police records. The City is also planning to make the entire community a Wi-Fi hot spot in 2006. Wi-Fi will allow City-wide mobile access to the City's network, as well as, provide residents with wireless access to the internet anywhere in the city. Wireless technology will allow City workers to access data and video while in the field. This will significantly improve services especially in the area of public safety. The City of Cuyahoga Falls is committed to the use of technology to better serve our residents and businesses. I invite you to visit the City's website at www.cityofcf.com to learn more about our programs.

FINANCIAL INFORMATION

Current union contracts with four of the City's six unions were completed in 2006. The City's FOP-Gold (Sergeants and Lieutenants) within the Police Department, as well as, Dispatchers are still on going. Negotiations were increased due to discussions on health care concessions. All contracts are in effect until 2008.

The City's Capital Project Fund has issued various notes for numerous infrastructure projects over the last several years. The administration along with the assistance of City Council created a plan to pay down on the notes each year to save the cost of long-term interest borrowing. In 2006 and 2007 the plan is to pay down \$2 million year on these notes with the total balance paid off by 2009.

LONG TERM FINANCIAL PLANNING

The City currently prepares a five-year capital improvement plan. This plan helps the City prepare and adjust for major infrastructure projects and maximize potential State and Federal grant assistance. Various other major operations within the City are also being viewed over two, three, and five-year views. Preparing for the future is a key ingredient to financial stability while maintaining important public services.

AWARDS AND ACKNOWLEDGEMENTS

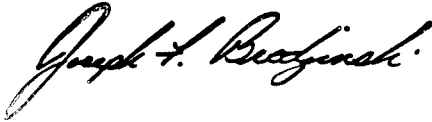
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cuyahoga Falls for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 21 consecutive years (fiscal years ended 1984-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements and are therefore submitting it to the GFOA. Receipt of these awards is an outstanding sign of the City's active effort to anticipate and provide for the needs of its citizens.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. A special thanks goes out to Deputy Finance Director, Scott Fitzsimmons, for all of his hard work and dedication. The preparation of the CAFR requires a major effort from the accounting staff and we express our appreciation to all who assisted and contributed to the presentation of this year's report. We also thank the Mayor, his cabinet and the members of City Council for their thoughtful support and encouragement throughout the year.

Respectfully submitted,



Joseph F. Brodzinski
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Cuyahoga Falls,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



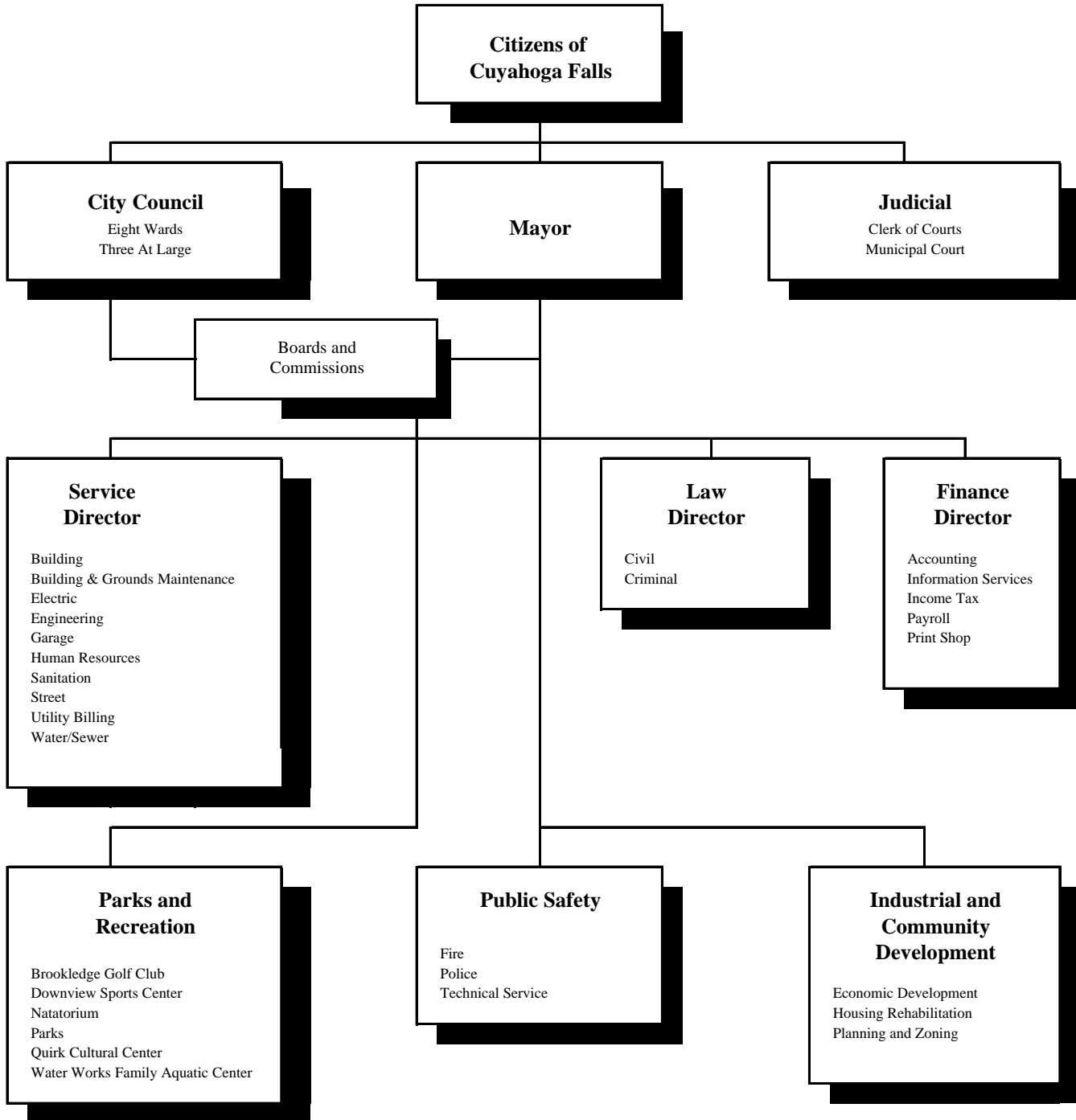
Carla E. Perry

President

Jeffrey R. Egan

Executive Director

Organizational Chart



City Officials

Mayor Don L. Robart

Cabinet of the Mayor:

Valerie Wax Carr.....Service Director
Joseph F. Brodzinski....Finance Director
Virgil E. Arrington.....Law Director
Susan L. Truby.....Community
Development Director

Municipal Court:

Kim R. Hoover.....Judge
Lisa Coates.....Judge
Eric Czetli.....Clerk of Courts

At Large Council:

Carol Klinger (Council President at 12/31/05)
Tim Gorbach
Kathy Hummel

Ward Council:

Debbie Ritzinger..... Ward 1
Mary Ellen Pyke.....Ward 2
Ken Barnhart.....Ward 3
Doug Flinn.....Ward 4
George Potts.....Ward 5
Don Walters.....Ward 6
Jerry James.....Ward 7
Terry Mader.....Ward 8

FINANCIAL SECTION

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Don L. Robart, Mayor
and Members of City Council
City of Cuyahoga Falls, Ohio

The Honorable Betty Montgomery
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cuyahoga Falls, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cuyahoga Falls, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

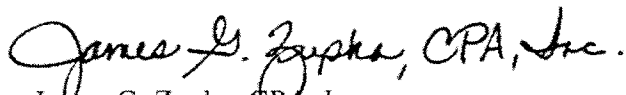
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cuyahoga Falls, Ohio, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Municipal Income Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005 on our consideration of the City of Cuyahoga Falls, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 15 through 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cuyahoga Falls, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 27, 2006

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Management's Discussion and Analysis

As management of the City of Cuyahoga Falls, Ohio (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page 2 of this report.

FINANCIAL HIGHLIGHTS

- This is the City of Cuyahoga Falls third publication of a Comprehensive Annual Financial Report (CAFR) under the new GASB 34 reporting model. Comparisons to prior financials are offered for this discussion and analysis.
- Total assets of the City of Cuyahoga Falls were \$207,481,329. Of this amount, \$94,462,079 were attributable to Governmental Activities and \$113,019,250 were from Business-type Activities.
- Total liabilities of the City of Cuyahoga Falls were \$99,258,001. Governmental Activities accounted for \$39,000,872, while Business-type Activities represented \$53,555,387 of the total.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, street maintenance, economic development, and leisure time activities. The business-type activities of the City include sanitary sewer disposal, water treatment and distribution, electric distribution, refuse and recycling collection service and leisure time activities including an outdoor family aquatic center, an indoor natatorium, a municipal golf course, a civic cultural center and a sports center facility which offers batting cages, a driving range, skate park and a miniature golf course.

The government wide financial statements include not only the City itself (known as the primary government) but also a legally separate community improvement corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government wide financial statements can be found on pages 31-33 of this report.

City of Cuyahoga Falls, Ohio

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Income Tax Special Revenue Fund, and Capital Projects Fund, which are considered to be major funds. Data from the other twenty-three funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and all Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service Fund types. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 34-39 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewage and disposal, water, electric, sanitation and leisure time operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally to the City's various functions. The City uses Internal Service Funds to account for its vehicle maintenance, office and custodial supplies purchase and distribution, information services (responsible for data processing and computer operations of the City), medical self-insurance, worker's compensation coverage and compensated absences payments to terminated and retired employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

While the Utility Billing Fund is considered an Internal Service Fund, it is not reported separately. It has been consolidated in the applicable Enterprise Funds for statement purposes.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage and Disposal Fund, Water Fund, Electric Fund, Sanitation Fund, and Leisure Time Fund, which are considered to be major funds. Conversely, the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 40-47 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Cuyahoga Falls, Ohio

The basic fiduciary fund financial statements can be found on page 48 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 49-83 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 84-140 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Cuyahoga Falls, Ohio - Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other Assets	\$ 46,532,340	\$ 45,758,893	\$ 30,551,386	\$ 29,252,781	\$ 77,083,726	\$ 75,011,674
Capital Assets	47,929,739	46,567,275	82,467,864	80,056,311	130,397,603	126,623,586
Total Assets	94,462,079	92,326,168	113,019,250	109,309,092	207,481,329	201,635,260
Liabilities						
Current and other liabilities	19,969,543	18,956,748	26,393,512	23,385,456	46,363,055	42,342,204
Long term liabilities outstanding	19,031,329	19,539,652	33,863,617	30,169,931	52,894,946	49,709,583
Total Liabilities	39,000,872	38,496,400	60,257,129	53,555,387	99,258,001	92,051,787
Net Assets						
Invested in capital assets, net of related debt	38,207,868	35,151,575	35,582,143	34,362,869	73,790,011	69,514,444
Restricted	11,544,126	11,957,796	0	0	11,544,126	11,957,796
Permanent Fund Purpose	206,449	191,864	0	0	206,449	191,864
Unrestricted	5,502,764	6,528,533	17,179,978	21,390,836	22,682,742	27,919,369
Total net assets	\$ 55,461,207	\$ 53,829,768	\$ 52,762,121	\$ 55,753,705	\$ 108,223,328	\$ 109,583,473

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$108,223,328 at the close of the most recent fiscal year.

The largest portion of the City's net assets (68 percent) reflects its investments in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens, therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Additionally, 11 percent of the City's net assets represent resources that have been restricted on how they may be used. Another portion of the City's net assets (less than 1 percent) represents the Perpetual Care Permanent Fund, which used to be a non-expendable trust fund. The remaining balance of unrestricted net assets \$22,682,742 may be used to meet the government's on-going obligations to its citizens and creditors.

City of Cuyahoga Falls, Ohio

At the end of the current fiscal year, the City of Cuyahoga Falls is able to report positive balances in the three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Overall, net assets of the City decreased by \$1.36 million in 2005. Net assets for governmental activities increased \$1.63 million, while net assets for business-type activities decreased \$2.99 million. One of the contributing factors for the decrease in net assets for business type activities was the result of an increase in long term liabilities outstanding. This is due to the issuance of \$3 million additional in Notes Payable. \$1.4 million was issued in the Sewage and Disposal Fund for the Kellybrook/Antoinette and Munroe Falls Avenue sewer projects. \$1.6 million was also issued in the Leisure Time Fund for the final phase of construction of the Natatorium.

In 2005, the City realized a 3 percent increase of net assets of Governmental Activities. This growth is mainly attributed to an increase in construction in progress, which are recorded as nondepreciable capital assets. The construction of the City's fifth fire station and the Second Street/Vincent Street storm water projects contributed towards the increase.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. This table contains the 2004 fiscal year figures for comparison purposes.

City of Cuyahoga Falls, Ohio

City of Cuyahoga Falls, Ohio - Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 9,901,210	\$ 9,403,939	\$ 51,939,351	\$ 44,749,497	\$ 61,840,561	\$ 54,153,436
Operating grants and contributions	2,702,845	2,100,449	106,872	58,329	2,809,717	2,158,778
Capital grants and contributions	1,082,122	2,790,907	54,391	541,805	1,136,513	3,332,712
General Revenues:						
Property taxes	10,161,771	10,138,292	0	0	10,161,771	10,138,292
Other taxes	17,010,188	18,382,279	0	0	17,010,188	18,382,279
Grants and contributions not restricted to specific programs						
	4,891,355	4,872,500	0	0	4,891,355	4,872,500
Other	1,053,818	390,583	0	0	1,053,818	390,583
Total Revenues	<u>46,803,309</u>	<u>48,078,949</u>	<u>52,100,614</u>	<u>45,349,631</u>	<u>98,903,923</u>	<u>93,428,580</u>
Expenses						
Security of persons and property	21,496,125	20,192,572	0	0	21,496,125	20,192,572
Leisure time activities	2,760,272	3,314,284	0	0	2,760,272	3,314,284
Community environment	1,779,710	2,512,427	0	0	1,779,710	2,512,427
Basic Utility Services	234,855	373,625	0	0	234,855	373,625
Street Maintenance	6,785,927	5,652,789	0	0	6,785,927	5,652,789
General Government	10,302,655	9,702,519	0	0	10,302,655	9,702,519
Interest and fiscal charges	628,253	610,705	0	0	628,253	610,705
Sewage and disposal	0	0	5,502,949	5,573,901	5,502,949	5,573,901
Water	0	0	4,922,686	4,396,443	4,922,686	4,396,443
Electric	0	0	35,265,345	26,996,163	35,265,345	26,996,163
Sanitation	0	0	3,876,126	4,239,813	3,876,126	4,239,813
Leisure time activities	0	0	6,709,165	7,794,270	6,709,165	7,794,270
Total Expenses	<u>43,987,797</u>	<u>42,358,921</u>	<u>56,276,271</u>	<u>49,000,590</u>	<u>100,264,068</u>	<u>91,359,511</u>
Increase in net assets before transfers	2,815,512	5,720,028	(4,175,657)	(3,650,959)	(1,360,145)	2,069,069
Transfers	(1,184,073)	(729,945)	1,184,073	729,945	0	0
Changes in net assets	1,631,439	4,990,083	(2,991,584)	(2,921,014)	(1,360,145)	2,069,069
Net assets-beginning	53,829,768	48,839,685	55,753,705	58,674,719	109,583,473	107,514,404
Net assets-ending	<u>\$ 55,461,207</u>	<u>\$ 53,829,768</u>	<u>\$ 52,762,121</u>	<u>\$ 55,753,705</u>	<u>\$ 108,223,328</u>	<u>\$ 109,583,473</u>

City of Cuyahoga Falls, Ohio

Governmental activities. Governmental activities increased the City's net assets by \$1.63 million. Key elements of the changes in net assets are as follows:

- ❖ Other revenue increased \$663,000 or 170 percent.
- ❖ Leisure Time activities decreased \$554,000 or 17%.
- ❖ Community environment decreased by \$733,000 or 29 percent.
- ❖ Basic utility services decreased by \$139,000 or 37 percent.
- ❖ Street maintenance increased by \$1.13 million or 20 percent.

The increase in Other Revenue is due to an increase in the interest rates received by the City in 2005 compared to interest rates in 2004. In 2005, the City received the payoff of its Industrial Development Revenue Bonds for the Sheraton Suites Hotel, which increased investment revenue by an additional \$165,000 in 2005.

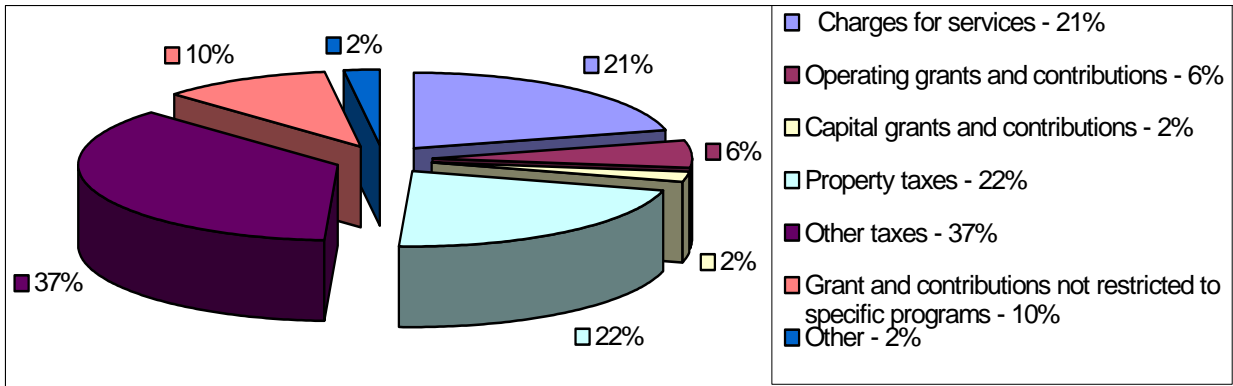
The decrease in Leisure Time activities is attributed to a decision to transfer \$500,000 from the Recreation Levy Fund to the Leisure Time Fund. The \$500,000 was then classified as a transfer and not Leisure Time Activities.

Community Environment's decrease is due to the loss on the sale of capital assets of \$742,000 being classified as community environment expenses for purposes of 2004's Management Discussion & Analysis. It was the result of buying and selling an old run down hotel for purposes of new development.

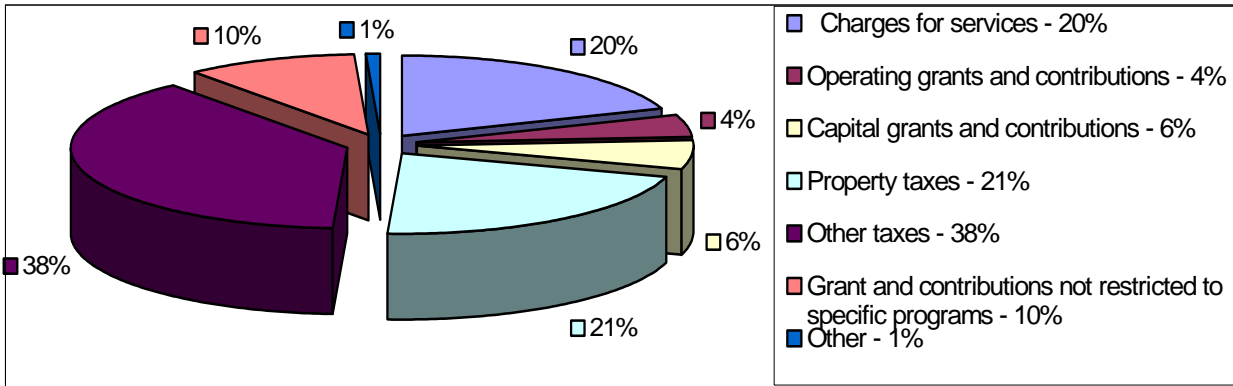
Basic Utility Services' decrease is due to more monies being capitalized within the Storm Drainage Utility Fund and the Storm Water Section within the Capital Projects Fund.

Street maintenance increased in 2005 due to more street resurfacing and related infrastructure that is maintenance in nature and not capitalized occurring in 2005 than in 2004 by \$990,000. Increases in depreciation also accounted for \$239,000.

2005 Revenues by Source – Governmental Activities

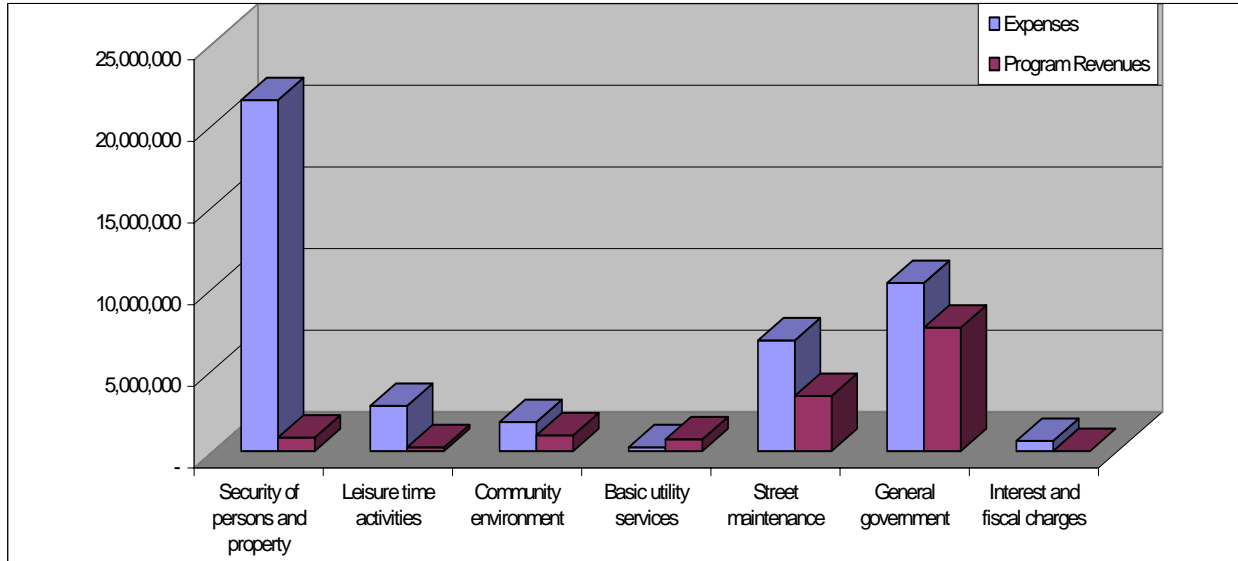


2004 Revenues by Source – Governmental Activities

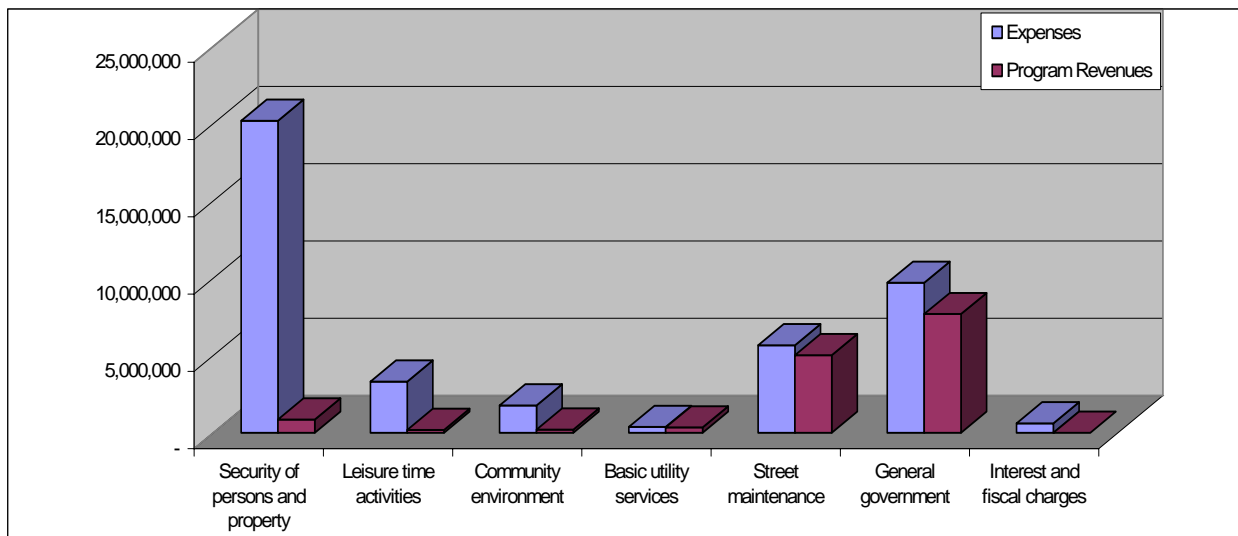


City of Cuyahoga Falls, Ohio

2005 Expenses and Program Revenues – Governmental Activities



2004 Expenses and Program Revenues – Governmental Activities



Business-type activities: Business-type activity net assets decreased by \$2.99 million. Key elements of changes in net assets are as follows.

- ❖ Charges for services increased by \$7.2 million or 16.1 percent.
- ❖ Expenses increased by \$7.3 million or 14.8 percent.

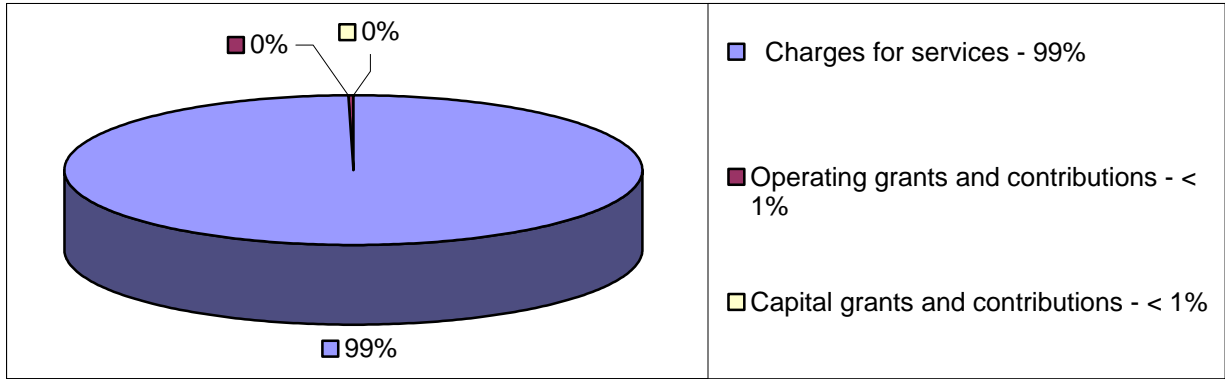
Charges for services increased in the Sewage and Disposal, Water, Electric, Sanitation, and Leisure Time enterprises by 20.6%, 7.4%, 14.0%, 1.3% and 33.7%, respectively on a GAAP basis as compared to 2004.

The increase in Sewage and Disposal is attributed to a rate increase within the treatment component piece of the sewer bill. The City of Akron, Ohio and Summit County both passed on a treatment charge increase to the City, which was passed on to the City's customers. Charges for services within the Water Fund was due to increased consumption. The increase within the Electric Fund was a result of higher purchase power and transportation costs, which were passed on to customers. The additional charges for services in the Leisure Time Fund is due to increased play at Brookledge Golf Course and the fact that the new natatorium was open for a full twelve months as opposed to three and one half months in 2004.

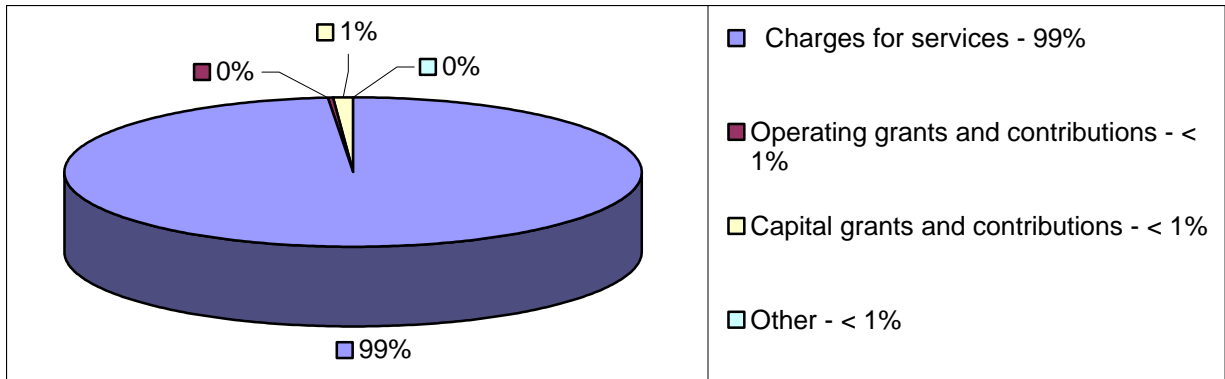
The increase in expenses is attributed to the cost of purchase power and related transportation costs within the Electric Fund. These costs are run through a twelve month rolling average formula and passed on to City customers

City of Cuyahoga Falls, Ohio

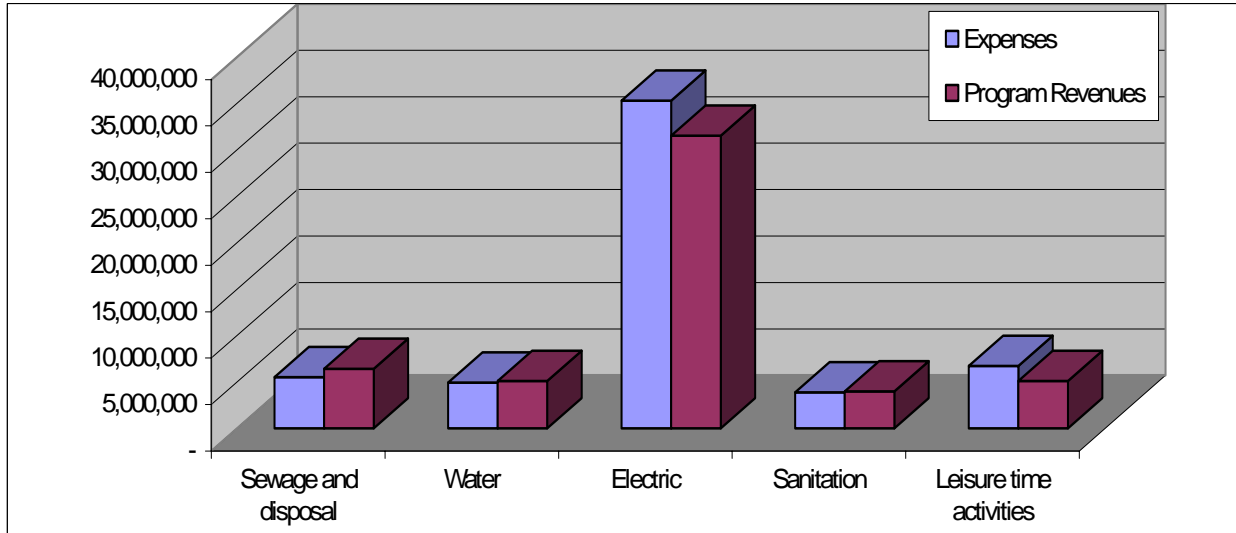
2005 Revenue by Source – Business-type Activities



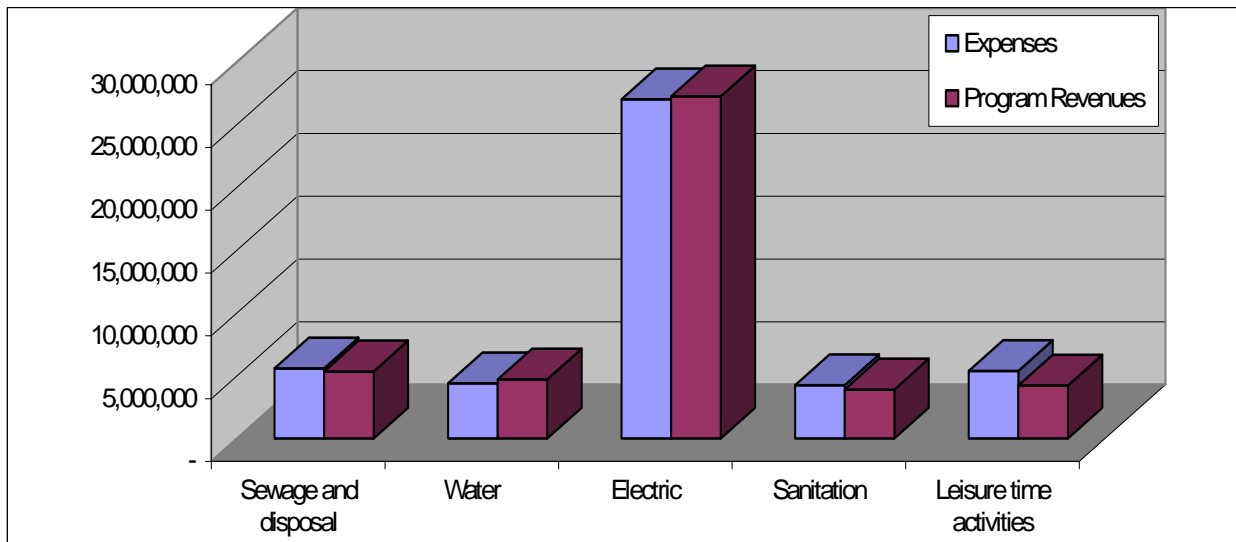
2004 Revenue by Source – Business-type Activities



2005 Expenses and Program Revenues – Business-type Activities



2004 Expenses and Program Revenues – Business-type Activities



City of Cuyahoga Falls, Ohio

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$13.66 million, which represents an increase of \$1.31 million in comparison with the prior year. Approximately \$6.4 million of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period and for non-current loans receivable.

The general fund is the chief operating fund of the City. At December 31, 2005, unreserved fund balance of the general fund was \$5.0 million, while total fund balance was \$5.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Unreserved fund balance represents 14.9 percent of total general fund expenditures (including transfers out), while total fund balance represents 16.3 percent of the same amount.

The fund balance of the City's General Fund decreased by \$534,500 during 2005. Key factors contributing to this increase are as follows:

- ❖ Total revenues (including transfers in) decreased by \$88,000. This net wash is primarily attributed to income tax revenues being transferred by ordinance from the City's Municipal Income Tax Fund, decreasing in 2005, while other areas like charges for services increasing in 2005.
- ❖ Expenditures (including transfers out) increased by \$847,000 million or 2.6 percent. Security of persons and property increased by \$934,000 due to increased wages and disaster preparedness within the police and fire departments.

The fund balance of the Capital Projects Fund increased by \$2.58 million in 2005 from a negative \$2.24 million in 2004. Capital Outlay expenditures were less in 2005 than 2004 by \$4.43 million. The fund balance was negative \$2.8 million at the end of 2003. 2004 showed a net change of \$562,000. The net change in 2005 was an additional \$2.58 million ending with a fund balance of \$337,000.

Proprietary Funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$2.1 million, \$2.4 million, \$14.2 million, (\$230,000), and (\$367,000) for the Sewage and Disposal, Water, Electric, Sanitation, and Leisure Time Funds, respectively. The Sanitation Fund has negative unrestricted net assets in 2005. This represents a \$155,000 decrease in negative unrestricted net assets of 2004. The cost saving measures included standardization of refuse containers, which will reduce the number of personnel per route with an ultimate goal of full automation in the future. The negative unrestricted net assets in the Leisure Time Fund was also reduced in 2005 by \$575,000. Rates at the City's golf course and the City's wellness center have been adjusted and are being closely monitored.

General Fund Budgetary Highlights

The final amended General Fund budget had total appropriation of approximately \$371,000 less than the original budget. The total original appropriations, including those for transfers out and advances out, were \$35.33 million, while the final appropriations were \$34.96 million.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business-type activities as of December 31, 2005, amounts to \$130.3 million (net of accumulated depreciation). This investment in capital assets include land, buildings, improvements, machinery and equipment, as well as, infrastructure prospectively, including roads, sidewalks, bridges, storm sewer, curbs and gutters. The total increase in the City’s investment in capital assets for 2005 was 2.98% (a 2.9 percent increase for governmental activities and a 3.0 percent increase for business-type activities).

City of Cuyahoga Falls Capital Assets (Net of Depreciation)							
	Governmental Activities		Business-type Activities		Total		
	2005	2004	2005	2004	2005	2004	
Land	\$ 8,111,902	\$ 8,211,061	\$ 2,599,752	\$ 2,646,180	\$ 10,711,654	\$ 10,857,241	
Construction in Progress	1,701,097	689,047	3,260,239	683,126	4,961,336	1,372,173	
Buildings	16,504,778	16,645,309	34,450,401	34,543,118	50,955,179	51,188,427	
Improvements	313,083	4,833	38,855,897	38,979,593	39,168,980	38,984,426	
Machinery and Equipment	6,234,057	6,632,748	3,301,575	3,204,294	9,535,632	9,837,042	
Infrastructure	15,064,822	14,384,277	-	-	15,064,822	14,384,277	
Total	<u>\$ 47,929,739</u>	<u>\$ 46,567,275</u>	<u>\$ 82,467,864</u>	<u>\$ 80,056,311</u>	<u>\$ 130,397,603</u>	<u>\$ 126,623,586</u>	

Major capital asset events during 2005 were as follows:

- The construction of Fire Station #5. The new Fire Station has an expected completion date of 2006.
- Various storm water and sanitary sewer projects were begun or continued during the year, with the investment in these projects exceeding \$2,700,000. Of those, the final phase of the Woodridge Sanitary System was begun, as well as, the replacement of the sanitary and storm sewer at Vincent and Second Street. The City has received major contributions from the Ohio Public Works Commission towards this project.
- The Electric Department began construction of a new substation, Substation 13. In addition, they began a major reconstruction of substation 2. The combined capital investment in these projects is expected to be \$4,500,000.

For more detailed information on capital asset activity, refer to Note 6-Capital Assets in the Notes to the Financial Statements section.

City of Cuyahoga Falls, Ohio

Long-term debt. At December 31, 2005, the City had \$35.7 million of long-term bonds and capital leases outstanding. All special assessment bonds issued by the City are also general obligation bonds (\$541,878 in governmental activities) and are included herein.

City of Cuyahoga Falls General Obligation Bonds and Capital Leases Outstanding						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
G. O. bonds	\$ 10,007,959	\$ 10,893,105	\$ 25,373,273	\$ 27,056,437	\$ 35,381,232	\$ 37,949,542
Capital leases	80,367	193,227	212,448	323,003	292,815	516,230
Total	\$ 10,088,326	\$ 11,086,332	\$ 25,585,721	\$ 27,379,440	\$ 35,674,047	\$ 38,465,772

The City did not issue any general obligation bonds or additional capital leases during fiscal year 2005. All transactions relating to long-term debt are fully described in Note 13 within the Notes to the Financial Statements.

Economic Factors and Next Year's Budget

The City of Cuyahoga Falls elected and appointed officials consider many factors, through a lengthy budget process. One of the main concerns for the 2006 budget process was the economic condition of the State of Ohio and how that would affect state shared taxes with our municipality and others throughout the State. Revenue projections from the State of Ohio were higher than anticipated and municipalities were frozen at current levels of some state shared taxes, but were not reduced. The concern is not necessary for budget year 2006, as much as it is for budget year 2007, when the state sets its next two-year budget cycle by June 30, 2007. The City is also closely monitoring a legislation request by the Police and Fire Pension System of Ohio. A request has been made by the board to increase both the employee and employer portions contributed towards the pension system. The City is keenly aware of what these changes can mean to the City and is in the process of taking steps to mitigate any negative impact these changes may cause. The City also places high importance on job creation and retention with its use of "enterprise zones", "community reinvestment areas", and "foreign trade zones". One of the main objectives every year in the City's budget is long-term fiscal stability with cost containment and the pursuit of new revenue sources. In 2006, the City restructured its Building Department fee structure and is currently reviewing all of its fee structures city-wide.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. This report is also available on the City's website at www.cityofcf.com. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Cuyahoga Falls Finance Department, 2310 Second Street, Cuyahoga Falls, Ohio, 44221.

BASIC FINANCIAL STATEMENTS

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Statement of Net Assets
December 31, 2005

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		CIC of Cuyahoga Falls
Assets				
Equity in pooled cash and cash equivalents	\$ 19,885,780	\$ 14,641,007	\$ 34,526,787	\$ -
Cash and cash equivalents - restricted accounts	157,655	-	157,655	835,447
Investments - restricted	107,000	-	107,000	-
Accounts receivable (net of allowance for uncollectibles)	1,259,068	6,218,534	7,477,602	900
Loans receivable	1,935,755	-	1,935,755	89,642
Taxes receivable	13,845,547	-	13,845,547	-
Special assessments receivable	1,697,913	48,658	1,746,571	-
Accrued interest receivable	20,561	-	20,561	-
Due from other governments	4,576,703	46,958	4,623,661	-
Inventory of supplies	998,445	3,134,330	4,132,775	-
Prepaid items	168,545	113,562	282,107	-
Internal balances	1,409,483	(1,409,483)	-	-
Deferred charges	469,885	540,346	1,010,231	-
Unamortized bond discount	-	60,872	60,872	-
Investment in joint venture	-	7,156,602	7,156,602	-
Nondepreciable capital assets	9,812,999	5,859,991	15,672,990	-
Depreciable capital assets	38,116,740	76,607,873	114,724,613	-
Total assets	94,462,079	113,019,250	207,481,329	925,989
Liabilities				
Accounts payable	1,879,372	3,711,234	5,590,606	-
Accrued salaries, wages and benefits	372,887	130,247	503,134	-
Accrued interest payable	47,047	129,366	176,413	-
Due to other governments	451,881	907,284	1,359,165	-
Unearned revenue	10,518,356	-	10,518,356	-
Deposit held and due to others	-	215,381	215,381	-
Notes payable	6,700,000	21,300,000	28,000,000	-
Current portion of:				
Accrued compensated absences	2,816,145	807,928	3,624,073	-
Claims and judgments payable	1,452,399	-	1,452,399	-
Capital leases	39,026	104,525	143,551	-
Bonds payable	931,405	1,756,904	2,688,309	-
Long-term portion of:				
Accrued compensated absences	3,804,869	1,531,546	5,336,415	-
Claims and judgments payable	766,160	-	766,160	-
Capital leases	41,341	107,923	149,264	-
Payable to Joint Venture	-	5,392,953	5,392,953	-
Unamortized bond premium	103,430	545,469	648,899	-
Bonds payable	9,076,554	23,616,369	32,692,923	-
Total liabilities	39,000,872	60,257,129	99,258,001	-
Net Assets				
Invested in capital assets, net of related debt	38,207,868	35,582,143	73,790,011	-
Restricted for:				
Capital projects	4,765,286	-	4,765,286	-
Debt service	404,311	-	404,311	-
Other purposes	6,374,529	-	6,374,529	593,285
Permanent fund purpose:				
Nonexpendable - Cemetery Perpetual Care	206,449	-	206,449	-
Unrestricted	5,502,764	17,179,978	22,682,742	332,704
Total net assets	\$ 55,461,207	\$ 52,762,121	\$108,223,328	\$ 925,989

See accompanying notes to the basic financial statements

City of Cuyahoga Falls, Ohio

Statement of Activities For the Year Ended December 31, 2005

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Security of persons and property	21,496,125	684,768	55,525	85,120
Leisure time activities	2,760,272	239,984	-	-
Community environment	1,779,710	167,069	795,079	-
Basic utility services	234,855	709,400	-	5,346
Street maintenance	6,785,927	539,573	1,852,241	991,656
General government	10,302,655	7,560,416	-	-
Interest and fiscal charges	628,253	-	-	-
Total governmental activities	43,987,797	9,901,210	2,702,845	1,082,122
Business-type activities:				
Sewage and disposal	5,502,949	6,403,396	-	-
Water	4,922,686	5,091,414	-	-
Electric	35,265,345	31,513,528	-	-
Sanitation	3,876,126	3,876,815	106,872	-
Leisure time activities	6,709,165	5,054,198	-	54,391
Total business-type activities	56,276,271	51,939,351	106,872	54,391
Total primary government	100,264,068	61,840,561	2,809,717	1,136,513
Component Unit - CIC of Cuyahoga Falls	52,938	11,140	-	-
General revenues:				
Property taxes levied for:				
General purposes				
Special revenue				
Income tax levied for:				
General purposes				
Special revenue				
Capital projects				
Grants and entitlements not restricted to specific programs				
Investment earnings				
Transfers				
Total general revenue and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See accompanying notes to the basic financial statements

City of Cuyahoga Falls, Ohio

(Continued)

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	CIC of Cuyahoga Falls
(20,670,712)	-	(20,670,712)	-
(2,520,288)	-	(2,520,288)	-
(817,562)	-	(817,562)	-
479,891	-	479,891	-
(3,402,457)	-	(3,402,457)	-
(2,742,239)	-	(2,742,239)	-
(628,253)	-	(628,253)	-
<u>(30,301,620)</u>	<u>-</u>	<u>(30,301,620)</u>	<u>-</u>
-	900,447	900,447	-
-	168,728	168,728	-
-	(3,751,817)	(3,751,817)	-
-	107,561	107,561	-
-	(1,600,576)	(1,600,576)	-
-	(4,175,657)	(4,175,657)	-
<u>(30,301,620)</u>	<u>(4,175,657)</u>	<u>(34,477,277)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,798)</u>
9,614,843	-	9,614,843	-
546,928	-	546,928	70,456
10,660,150	-	10,660,150	-
1,360,797	-	1,360,797	-
4,989,241	-	4,989,241	-
4,891,355	-	4,891,355	-
1,053,818	-	1,053,818	14,573
(1,184,073)	1,184,073	-	-
<u>31,933,059</u>	<u>1,184,073</u>	<u>33,117,132</u>	<u>85,029</u>
1,631,439	(2,991,584)	(1,360,145)	43,231
<u>53,829,768</u>	<u>55,753,705</u>	<u>109,583,473</u>	<u>882,758</u>
<u>55,461,207</u>	<u>52,762,121</u>	<u>108,223,328</u>	<u>925,989</u>

City of Cuyahoga Falls, Ohio

Balance Sheet - Governmental Funds December 31, 2005

	General	Municipal Income Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 3,617,946	\$ 19,944	\$6,920,844	\$ 4,485,191	\$ 15,043,925
Cash and cash equivalents - restricted	-	-	-	157,655	157,655
Investments - restricted accounts	-	-	-	107,000	107,000
Receivables					
Taxes	10,205,601	3,051,160	-	588,786	13,845,547
Accounts (net of allowance for uncollectibles)	30,201	-	1,012,330	181,696	1,224,227
Loans	-	-	-	1,935,755	1,935,755
Special assessments	13,368	-	672,886	1,011,659	1,697,913
Accrued interest	-	-	-	20,561	20,561
Due from other funds	1,528,314	-	606,785	384,043	2,519,142
Due from other governments	3,042,766	75,588	514,110	929,798	4,562,262
Inventory of supplies	148,467	114	-	369,858	518,439
Prepaid items	119,020	199	272	26,927	146,418
Advances to other funds	-	-	-	214,316	214,316
Total assets	18,705,683	3,147,005	9,727,227	10,413,245	41,993,160
Liabilities and Fund Balances					
Liabilities					
Accounts payable	161,026	11,212	848,223	379,753	1,400,214
Accrued salaries, wages and benefits	317,062	4,153	-	37,036	358,251
Deferred revenue	11,958,496	1,038,136	1,627,471	2,094,333	16,718,436
Due to other funds	724,813	2,077,111	-	64,629	2,866,553
Due to other governments	29,315	629	-	42,310	72,254
Advances from other funds	-	-	214,316	-	214,316
General obligation notes payable	-	-	6,700,000	-	6,700,000
Total liabilities	13,190,712	3,131,241	9,390,010	2,618,061	28,330,024
Fund Balances					
Reserved for encumbrances	223,261	6,100	3,413,071	487,928	4,130,360
Reserved for prepaid items	119,020	199	272	26,927	146,418
Reserved for advances	-	-	-	214,316	214,316
Reserved for inventory of supplies	148,467	114	-	369,858	518,439
Reserved for loans receivable	-	-	-	1,935,755	1,935,755
Reserved for debt service	-	-	-	66,085	66,085
Reserved for cemetery perpetual care	-	-	-	206,124	206,124
Unreserved - undesignated					
General fund	5,024,223	-	-	-	5,024,223
Special revenue funds	-	9,351	-	2,911,923	2,921,274
Capital Projects funds	-	-	(3,076,126)	1,576,268	(1,499,858)
Total fund balances	5,514,971	15,764	337,217	7,795,184	13,663,136
Total liabilities and fund balances	\$ 18,705,683	\$ 3,147,005	\$9,727,227	\$ 10,413,245	\$ 41,993,160

See accompanying notes to the basic financial statements

**Reconciliation of Total Governmental Fund Balances to Net Assets of
Governmental Activities
December 31, 2005**

Total Governmental Fund Balances \$ 13,663,136

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

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds. Those assets consist of:

Nondepreciable capital assets	9,791,039	
Depreciable capital assets	37,368,585	
	<u>47,159,624</u>	47,159,624

Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:

Investment earnings	398	
Property taxes	276,031	
Grants and entitlements	1,997,209	
Income tax	1,038,136	
Special assessments	1,697,913	
Charges for services	1,190,393	
	<u>6,200,080</u>	6,200,080

Internal service funds are used by the City to account for the financing of goods or services provided by one department to other City departments or agencies, generally on a cost reimbursement basis. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Internal service fund net assets are: 4,607,168

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable	(47,047)	
Deferred charges related to debt issuance	469,885	
Unamortized bond premium	(103,430)	
Accrued compensated absences	(6,399,883)	
Capital leases	(80,367)	
Bonds Payable	(10,007,959)	
	<u>(16,168,801)</u>	(16,168,801)

Total Governmental Activities Net Assets \$ 55,461,207

City of Cuyahoga Falls, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2005

	General	Municipal Income Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 9,481,503	\$ -	\$ -	\$ 547,012	\$ 10,028,515
Municipal income taxes	-	16,908,814	-	-	16,908,814
Other local taxes	138,626	-	-	238	138,864
State levied shared taxes	4,824,362	-	-	2,158,785	6,983,147
Intergovernmental	224,251	-	706,744	634,041	1,565,036
Charges for services	5,546,217	-	1,437,561	870,681	7,854,459
Fees, licenses and permits	400,863	-	-	848,791	1,249,654
Interest earnings	-	-	-	1,547,004	1,547,004
Fines and forfeitures	359,077	-	-	82,531	441,608
Special assessments	13,587	-	105,516	193,737	312,840
Other	314,309	-	315,838	118,164	748,311
Total revenues	21,302,795	16,908,814	2,565,659	7,000,984	47,778,252
Expenditures					
Current					
Security of persons and property	17,709,509	-	-	2,308,035	20,017,544
Leisure time activities	2,308,957	-	-	436,110	2,745,067
Community environment	1,375,048	-	-	621,830	1,996,878
Street maintenance	-	-	-	4,478,915	4,478,915
General government	8,210,548	1,009,479	-	172,318	9,392,345
Capital outlay	-	-	4,207,506	931,889	5,139,395
Debt Service					
Principal	-	-	112,860	885,146	998,006
Interest	-	-	231,033	456,057	687,090
Total expenditures	29,604,062	1,009,479	4,551,399	10,290,300	45,455,240
Excess (deficiency) of revenues Over (under) expenditures	(8,301,267)	15,899,335	(1,985,740)	(3,289,316)	2,323,012
Other Financing Sources (Uses)					
Transfers in	11,941,607	-	4,663,275	5,836,565	22,441,447
Transfers out	(4,191,185)	(15,899,335)	(100,000)	(3,435,000)	(23,625,520)
Total other financing sources (uses)	7,750,422	(15,899,335)	4,563,275	2,401,565	(1,184,073)
Net change in fund balances	(550,845)	-	2,577,535	(887,751)	1,138,939
Fund balance (deficit) at beginning of year	6,049,465	15,800	(2,240,590)	8,522,740	12,347,415
Change in reserve for inventory	22,871	-	-	159,053	181,924
Change in reserve for prepaid items	(6,520)	(36)	272	1,142	(5,142)
Fund balance (deficit) at end of year	\$ 5,514,971	\$ 15,764	\$ 337,217	\$ 7,795,184	\$ 13,663,136

See accompanying notes to the basic financial statements

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ 1,138,939

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 944,049

Governmental funds report expenditures for inventory of supplies and prepaid items when purchased. However, in the statement of activities, they are reported as an expense when consumed. 176,782

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

Investment earnings	(633,215)	
Property taxes	(5,915)	
Grants and entitlements	(23,117)	
Income tax	101,158	
Special assessments	(153,588)	
Charges for services	<u>138,009</u>	
		(576,668)

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 998,006

In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due. 81

Premiums on bonds issued are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 466

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (47,206)

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. (423,648)

Internal service funds are used by the City to account for the financing of goods or services provided by one department to other City departments or agencies, generally on a cost reimbursement basis. The revenues (expenses) of the internal service funds are allocated among the governmental activities. (579,362)

Changes in Net Assets of Governmental Activities \$ 1,631,439

City of Cuyahoga Falls, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 9,414,870	\$ 9,448,370	\$ 9,481,503	\$ 33,133
Other local taxes	242,275	242,275	140,455	(101,820)
State levied shared taxes	4,603,621	4,626,318	4,687,044	60,726
Intergovernmental	204,100	204,100	208,880	4,780
Charges for services	5,469,858	5,113,408	5,564,194	450,786
Fees, licenses, and permits	428,775	345,925	397,894	51,969
Fines and forfeitures	252,000	252,000	365,397	113,397
Special assessments	13,130	13,130	13,587	457
Other	253,425	235,425	303,872	68,447
Total revenues	20,882,054	20,480,951	21,162,826	681,875
Expenditures				
Current				
Security of persons and property	17,962,773	17,978,973	17,720,937	258,036
Leisure time activities	2,441,045	2,441,045	2,315,952	125,093
Community environment	1,619,223	1,648,224	1,496,788	151,436
General government	9,190,846	8,766,646	8,303,262	463,384
Total expenditures	31,213,887	30,834,888	29,836,939	997,949
Excess (deficiency) of revenues over (under) expenditures	(10,331,833)	(10,353,937)	(8,674,113)	1,679,824
Other Financing Sources (Uses)				
Transfers in	12,087,002	12,087,002	12,580,546	493,544
Transfers out	(4,121,475)	(4,129,395)	(4,208,272)	(78,877)
Total other financing sources (uses)	7,965,527	7,957,607	8,372,274	414,667
Net change in fund balances	(2,366,306)	(2,396,330)	(301,839)	2,094,491
Fund balance at beginning of year	2,945,382	2,945,382	2,945,382	-
Prior year encumbrances appropriated	652,896	652,896	652,896	-
Fund balance at end of year	\$ 1,231,972	\$ 1,201,948	\$ 3,296,439	\$ 2,094,491

See accompanying notes to the basic financial statements

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Municipal Income Tax Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal income taxes	\$ 17,444,030	\$ 17,794,030	\$ 17,814,578	\$ 20,548
Total revenues	17,444,030	17,794,030	17,814,578	20,548
Expenditures				
Current				
General government	1,054,925	1,054,924	1,011,431	43,493
Total expenditures	1,054,925	1,054,924	1,011,431	43,493
Excess (deficiency) of revenues over (under) expenditures	16,389,105	16,739,106	16,803,147	64,041
Other Financing Sources (Uses)				
Transfers out	(16,414,556)	(16,414,556)	(16,890,000)	(475,444)
Total other financing sources (uses)	(16,414,556)	(16,414,556)	(16,890,000)	(475,444)
Net change in fund balances	(25,451)	324,550	(86,853)	(411,403)
Fund balance at beginning of year	74,106	74,106	74,106	-
Prior year encumbrances appropriated	15,451	15,451	15,451	-
Fund balance at end of year	<u>\$ 64,106</u>	<u>\$ 414,107</u>	<u>\$ 2,704</u>	<u>\$ (411,403)</u>

See accompanying notes to the basic financial statements

City of Cuyahoga Falls, Ohio

Statement of Net Assets - Proprietary Funds December 31, 2005

	Business-type Activities - Enterprise Funds					
	Sewage and Disposal	Water	Electric	Sanitation	Leisure Time	Total
Assets						
Current Assets						
Equity in pooled cash and cash equivalents	\$ 3,065,885	\$ 2,402,962	\$ 7,777,507	\$ 569,201	\$ 825,452	\$ 14,641,007
Receivables						
Accounts						
(net of allowance for uncollectibles)	842,332	743,002	4,461,505	165,787	5,908	6,218,534
Special assessments	-	48,658	-	-	-	48,658
Due from other funds	44,809	-	892,135	25,565	-	962,509
Due from other governments	34,432	36	18	12,472	-	46,958
Inventory of supplies	29,229	376,708	2,590,938	48,079	89,376	3,134,330
Prepaid items	11,882	19,457	36,241	13,062	32,920	113,562
Deferred charges	15,396	108,368	-	-	416,582	540,346
Unamortized bond discount	16,888	43,984	-	-	-	60,872
Investment in joint venture	-	-	7,156,602	-	-	7,156,602
Advances to other funds	-	-	1,165,000	-	-	1,165,000
Total current assets	<u>4,060,853</u>	<u>3,743,175</u>	<u>24,079,946</u>	<u>834,166</u>	<u>1,370,238</u>	<u>34,088,378</u>
Noncurrent Assets						
Capital Assets						
Land	72,764	114,910	495,890	152,781	1,763,407	2,599,752
Buildings	536,453	917,229	703,644	114,340	35,312,951	37,584,617
Improvements other than buildings	17,684,868	21,340,007	25,090,075	-	3,513,408	67,628,358
Equipment	1,147,287	1,342,535	4,291,032	2,287,118	583,300	9,651,272
CIP	95,785	172,897	2,991,557	-	-	3,260,239
Less: Accumulated depreciation	(6,856,992)	(7,466,739)	(18,265,394)	(1,912,478)	(3,754,771)	(38,256,374)
Total noncurrent assets	<u>12,680,165</u>	<u>16,420,839</u>	<u>15,306,804</u>	<u>641,761</u>	<u>37,418,295</u>	<u>82,467,864</u>
Total assets	<u>16,741,018</u>	<u>20,164,014</u>	<u>39,386,750</u>	<u>1,475,927</u>	<u>38,788,533</u>	<u>116,556,242</u>
Liabilities						
Current Liabilities						
Accounts payable	80,012	229,629	3,060,077	80,096	261,420	3,711,234
Accrued salaries, wages and benefits	12,055	22,596	49,431	20,963	25,202	130,247
Accrued compensated absences	90,405	153,339	403,217	112,079	48,888	807,928
Accrued interest payable	13,855	35,879	7,270	-	72,362	129,366
Due to other funds	191,574	307,240	99,849	180,016	664,713	1,443,392
Due to other governments	589,910	303,321	7,163	3,110	3,780	907,284
Deposits held and due to others	-	12,796	202,585	-	-	215,381
Claims and judgments payable	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	104,525	104,525
Advances from other funds	85,000	-	-	100,000	-	185,000
General obligation notes payable	1,400,000	-	-	-	19,900,000	21,300,000
General obligation bonds payable	210,485	509,989	285,149	-	751,281	1,756,904
Total current liabilities	<u>2,673,296</u>	<u>1,574,789</u>	<u>4,114,741</u>	<u>496,264</u>	<u>21,832,171</u>	<u>30,691,261</u>
Noncurrent Liabilities						
Accrued compensated absences	167,634	267,855	700,768	267,793	127,496	1,531,546
Claims and judgments payable	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	107,923	107,923
Advances from other funds	680,000	-	-	300,000	-	980,000
Payable to joint venture	-	-	5,392,953	-	-	5,392,953
Unamortized bond premium	11,690	-	-	-	533,779	545,469
General obligation bonds payable	3,210,486	9,060,181	1,305,596	-	10,040,106	23,616,369
Total noncurrent liabilities	<u>4,069,810</u>	<u>9,328,036</u>	<u>7,399,317</u>	<u>567,793</u>	<u>10,809,304</u>	<u>32,174,260</u>
Total liabilities	<u>6,743,106</u>	<u>10,902,825</u>	<u>11,514,058</u>	<u>1,064,057</u>	<u>32,641,475</u>	<u>62,865,521</u>
Net Assets						
Invested in capital assets, net of related debt	7,859,194	6,850,669	13,716,059	641,761	6,514,460	35,582,143
Unrestricted	2,138,718	2,410,520	14,156,633	(229,891)	(367,402)	18,108,578
Total net assets	<u>\$ 9,997,912</u>	<u>\$ 9,261,189</u>	<u>\$27,872,692</u>	<u>\$ 411,870</u>	<u>\$ 6,147,058</u>	<u>\$ 53,690,721</u>
Adjustment to consolidate the internal service fund activities related to enterprise funds.						(928,600)
Total net assets of business-type activities						<u>\$ 52,762,121</u>

See accompanying notes to the basic financial statements

Statement of Net Assets - Proprietary Funds
December 31, 2005

(Continued)

	Governmental Activities - Internal Service Funds
Assets	
Current Assets	
Equity in pooled cash and cash equivalents	\$ 4,841,855
Receivables	
Accounts	
(net of allowance for uncollectibles)	34,841
Special assessments	-
Due from other funds	859,234
Due from other governments	14,441
Inventory of supplies	480,006
Prepaid items	22,127
Deferred charges	-
Unamortized bond discount	-
Investment in joint venture	-
	<u>6,252,504</u>
Noncurrent Assets	
Capital Assets	
Land	21,960
Buildings	238,816
Improvements other than buildings	260,029
Equipment	2,128,946
CIP	-
Less: Accumulated depreciation	<u>(1,879,636)</u>
Total noncurrent assets	<u>770,115</u>
Total assets	<u><u>7,022,619</u></u>
Liabilities	
Current Liabilities	
Accounts payable	479,158
Accrued salaries, wages and benefits	14,636
Accrued compensated absences	135,714
Accrued interest payable	-
Due to other funds	30,940
Due to other governments	379,627
Deposits held and due to others	-
Claims and judgments payable	1,452,399
Capital lease obligations	-
Advances from other funds	-
General obligation notes payable	-
General obligation bonds payable	-
Total current liabilities	<u>2,492,474</u>
Noncurrent Liabilities	
Accrued compensated absences	85,417
Claims and judgments payable	766,160
Capital lease obligations	-
Advances from other funds	-
Payable to joint venture	-
Unamortized bond premium	-
General obligation bonds payable	-
Total noncurrent liabilities	<u>851,577</u>
Total liabilities	<u><u>3,344,051</u></u>
Net Assets	
Invested in capital assets, net of related debt	770,115
Unrestricted	<u>2,908,453</u>
Total net assets	<u><u>\$ 3,678,568</u></u>

City of Cuyahoga Falls, Ohio

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds					Total
	Sewage and Disposal	Water	Electric	Sanitation	Leisure Time	
Operating Revenues						
Charges for services	\$ 6,503,524	\$ 4,970,004	\$ 31,387,051	\$ 3,802,768	\$ 4,485,673	\$ 51,149,020
Other	9,681	121,410	601,543	101,794	568,525	1,402,953
Total operating revenues	<u>6,513,205</u>	<u>5,091,414</u>	<u>31,988,594</u>	<u>3,904,562</u>	<u>5,054,198</u>	<u>52,551,973</u>
Operating Expenses						
Personal services	757,208	1,345,404	3,062,468	1,182,550	2,238,779	8,586,409
Fringe benefits	212,972	596,579	1,126,167	479,566	445,793	2,861,077
Purchased power	-	-	21,707,229	-	-	21,707,229
Materials and supplies	56,172	294,871	5,250,346	283,513	197,996	6,082,898
Utilities	27,176	360,210	51,179	18,880	396,850	854,295
Contractual services	2,957,601	474,012	45,749	928,997	152,914	4,559,273
Internal charges	707,817	804,555	1,896,762	502,382	611,671	4,523,187
Other	116,098	227,338	799,692	264,848	763,407	2,171,383
Depreciation	452,509	728,770	885,284	171,518	899,645	3,137,726
Total Operating Expenses	<u>5,287,553</u>	<u>4,831,739</u>	<u>34,824,876</u>	<u>3,832,254</u>	<u>5,707,055</u>	<u>54,483,477</u>
Net income (loss) from operations	<u>1,225,652</u>	<u>259,675</u>	<u>(2,836,282)</u>	<u>72,308</u>	<u>(652,857)</u>	<u>(1,931,504)</u>
Nonoperating Revenues (Expenses)						
Interest revenue	-	-	-	-	-	-
Interest expense	(169,867)	(451,939)	(99,971)	-	(858,327)	(1,580,104)
Loss from disposal of capital assets	(41,120)	(51,412)	(246,093)	(4,475)	(241,108)	(584,208)
Grants	-	-	-	106,872	-	106,872
Total nonoperating revenues (expenses)	<u>(210,987)</u>	<u>(503,351)</u>	<u>(346,064)</u>	<u>102,397</u>	<u>(1,099,435)</u>	<u>(2,057,440)</u>
Income (loss) before contributions and transfer	<u>1,014,665</u>	<u>(243,676)</u>	<u>(3,182,346)</u>	<u>174,705</u>	<u>(1,752,292)</u>	<u>(3,988,944)</u>
Capital Contributions	-	-	-	-	54,391	54,391
Transfers in	-	-	1,810,658	-	1,190,908	3,001,566
Transfers out	-	-	(1,817,493)	-	-	(1,817,493)
Changes in net assets	<u>1,014,665</u>	<u>(243,676)</u>	<u>(3,189,181)</u>	<u>174,705</u>	<u>(506,993)</u>	<u>(2,750,480)</u>
Total net assets - beginning	8,983,247	9,504,865	31,061,873	237,165	6,654,051	
Total net assets - ending	<u>\$ 9,997,912</u>	<u>\$ 9,261,189</u>	<u>\$ 27,872,692</u>	<u>\$ 411,870</u>	<u>\$ 6,147,058</u>	
Adjustment to consolidate the internal service fund activities related to enterprise funds.						(241,104)
Change in net assets of business-type activities						<u>\$ (2,991,584)</u>

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds (Continued)
For the Year Ended December 31, 2005

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for services	\$ 9,114,111
Other	74,070
Total operating revenues	<u>9,188,181</u>
Operating Expenses	
Personal services	1,468,708
Fringe benefits	6,752,715
Purchased power	-
Materials and supplies	1,041,796
Utilities	27,875
Contractual services	137,922
Internal charges	155,159
Other	438,913
Depreciation	141,478
Total Operating Expenses	<u>10,164,566</u>
Net income (loss) from operations	<u>(976,385)</u>
Nonoperating Revenues (Expenses)	
Interest revenue	140,028
Interest expense	-
Loss from disposal of capital assets	(7,075)
Grants	-
Total nonoperating revenues (expenses)	<u>132,953</u>
Income (loss) before contributions and transfer	<u>(843,432)</u>
Capital Contributions	22,966
Transfers in	-
Transfers out	-
Changes in net assets	<u>(820,466)</u>
Total net assets - beginning	4,499,034
Total net assets - ending	<u>\$ 3,678,568</u>

City of Cuyahoga Falls, Ohio

Statement of Cash Flows - Proprietary Funds For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds					Total
	Sewage and Disposal	Water	Electric	Sanitation	Leisure Time	
Cash Flows From Operating Activities						
Cash received from customers	\$ 6,291,999	\$4,798,054	\$ 31,125,171	\$ 3,853,442	\$ 5,048,752	\$ 51,117,418
Cash payments to employees for services	(755,004)	(1,341,163)	(3,063,359)	(1,179,998)	(2,238,394)	(8,577,918)
Cash payments to employees for benefits	(273,920)	(489,332)	(1,097,673)	(438,018)	(480,870)	(2,779,813)
Cash payments to suppliers for goods and services	(3,864,601)	(2,090,980)	(29,176,419)	(2,540,601)	(2,079,860)	(39,752,461)
Net cash provided by operating activities	1,398,474	876,579	(2,212,280)	(305,175)	249,628	7,226
Cash Flows From Non-Capital Financing Activities						
Grant proceeds	-	-	-	102,840	-	102,840
Transfers in	8,363	-	1,849,037	5,944	1,190,908	3,054,252
Transfers out	-	-	(1,817,493)	-	-	(1,817,493)
Advances in	-	-	85,000	400,000	-	485,000
Advances out	(85,000)	-	(400,000)	(100,800)	-	(585,800)
Net cash provided by non-capital financing activities	(76,637)	-	(283,456)	407,984	1,190,908	1,238,799
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets	(672,935)	(660,494)	(3,208,180)	(197,026)	(1,448,216)	(6,186,851)
Proceeds from the sale of capital assets	-	-	-	3,220	-	3,220
Bond/note proceeds	1,404,600	-	-	-	20,032,833	21,437,433
Debt service						
Principal	(199,833)	(488,877)	(275,000)	-	(19,138,699)	(20,102,409)
Interest	(168,778)	(450,342)	(101,128)	-	(1,000,362)	(1,720,610)
Net cash used in capital and related financing activities	363,054	(1,599,713)	(3,584,308)	(193,806)	(1,554,444)	(6,569,217)
Cash Flows from Investing Activities						
Interest revenue	-	-	-	-	-	-
Net cash provided by investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	1,684,891	(723,134)	(6,080,044)	(90,997)	(113,908)	(5,323,192)
Cash and cash equivalents at Beginning of Year	1,380,994	3,126,096	13,857,551	660,198	939,360	19,964,199
Cash and cash equivalents at end of year	<u>\$ 3,065,885</u>	<u>\$2,402,962</u>	<u>\$ 7,777,507</u>	<u>\$ 569,201</u>	<u>\$ 825,452</u>	<u>\$ 14,641,007</u>

See accompanying notes to the basic financial statements

**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2005**

(Continued)

	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities	
Cash received from customers	\$ 8,951,924
Cash payments to employees for services	(1,466,646)
Cash payments to employees for benefits	(6,626,054)
Cash payments to suppliers for goods and services	<u>(1,746,092)</u>
Net cash provided by operating activities	(886,868)
Cash Flows From Non-Capital Financing Activities	
Grant proceeds	-
Transfers in	-
Transfers out	-
Advances in	-
Advances out	<u>-</u>
Net cash provided by non-capital financing activities	-
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(198,423)
Proceeds from the sale of capital assets	-
Bond/note proceeds	-
Debt service	-
Principal	-
Interest	<u>-</u>
Net cash used in capital and related financing activities	(198,423)
Cash Flows from Investing Activities	
Interest revenue	<u>140,028</u>
Net cash provided by investing activities	<u>140,028</u>
Net increase (decrease) in cash and cash equivalents	(945,263)
Cash and cash equivalents at Beginning of Year	<u>5,787,118</u>
Cash and cash equivalents at end of year	<u>\$ 4,841,855</u>

City of Cuyahoga Falls, Ohio

Statement of Cash Flows - Proprietary Funds For the Year Ended December 31, 2005

(Continued)

	Business-type Activities - Enterprise Funds					Total
	Sewage and Disposal	Water	Electric	Sanitation	Leisure Time	
Reconciliation of Operating Income to						
Net Cash Provided By Operating						
Activities						
Operating Income (Loss)	\$ 1,225,652	\$ 259,675	\$ (2,836,282)	\$ 72,308	\$ (652,857)	\$ (1,931,504)
Adjustments to reconcile operating						
income (loss) to net cash provided by						
operating activities:						
Depreciation	452,509	728,770	885,284	171,518	899,645	3,137,726
Amortization expense	1,132	7,031	4,851	-	72,791	85,805
Decrease (increase) in operating assets and						
increase (decrease) in operating liabilities:						
Receivables	(77,335)	43,161	(963,822)	(55,911)	(5,373)	(1,059,280)
Due from other funds	(25,857)	-	(46,851)	3,617	-	(69,091)
Due from other governments	47,150	(19)	720	1,174	-	49,025
Inventory of supplies	512	(100,772)	(156,582)	(9,637)	(38,595)	(305,074)
Prepaid items	(248)	1,034	2,686	101	(6,584)	(3,011)
Investment in joint ventures	-	-	(191,939)	-	-	(191,939)
Accounts payable						
- net of items affecting capital assets	(40,134)	(170,045)	1,070,981	(533,312)	(11,104)	316,386
Accrued salaries, wages and benefits	(66,795)	98,493	3,379	36,468	(40,629)	30,916
Due to other funds	9,240	53,592	24,187	8,103	32,246	127,368
Due to other governments	38,270	300,661	(71)	396	88	339,344
Deposits held and due to others	-	40	(8,821)	-	-	(8,781)
Claims and judgments payable	-	-	-	-	-	-
Deferred revenue	(165,622)	(345,042)	-	-	-	(510,664)
Total adjustments	172,822	616,904	624,002	(377,483)	902,485	1,938,730
Net cash provided by						
operating activities	<u>\$ 1,398,474</u>	<u>\$ 876,579</u>	<u>\$ (2,212,280)</u>	<u>\$ (305,175)</u>	<u>\$ 249,628</u>	<u>\$ 7,226</u>

During 2005 the Leisure Time Enterprise Fund received contributions in the form of capital assets from the Recreation Levy Special Revenue Fund and the Capital Projects Fund in the amount of \$24,752 and \$15,889, respectively.

See accompanying notes to the basic financial statements

**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2005**

(Continued)

	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income to	
Net Cash Provided By Operating	
Activities	
Operating Income (Loss)	\$ (976,385)
Adjustments to reconcile operating	
income (loss) to net cash provided by	
operating activities:	
Depreciation	141,478
Amortization expense	
Decrease (increase) in operating assets and	
increase (decrease) in operating liabilities:	
Receivables	(1,439)
Due from other funds	(220,379)
Due from other governments	(14,439)
Inventory of supplies	641
Prepaid items	755
Investment in joint ventures	
Accounts payable	
- net of items affecting capital assets	77,974
Accrued salaries, wages and benefits	(29,625)
Due to other funds	7,453
Due to other governments	55,123
Deposits held and due to others	-
Claims and judgments payable	98,188
Deferred revenue	-
Total adjustments	115,730
Net cash provided by	
operating activities	<u>\$ (860,655)</u>

City of Cuyahoga Falls, Ohio

Statement of Net Assets - Fiduciary Funds December 31, 2005

	<u>Agency Funds</u>
Assets	
Current Assets	
Equity in pooled cash and cash equivalents	\$ 3,582,791
Cash and cash equivalents - restricted accounts	482,655
Due from other governments	<u>88,781</u>
Total assets	4,154,227
Liabilities	
Current Liabilities	
Due to other governments	2,553,772
Deposits held and due to others	<u>1,600,455</u>
Total liabilities	4,154,227
Net Assets	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

NOTES TO THE FINANCIAL STATEMENTS

City of Cuyahoga Falls, Ohio

Notes to the Financial Statements December 31, 2005

NOTE 1 – REPORTING ENTITY

The City of Cuyahoga Falls (the “City”) operates as a political subdivision of the State of Ohio. The community was founded in 1812, became a township in 1851, was incorporated as a village in 1868 and became a city in 1920. The City Charter was first adopted on November 3, 1959, and became effective on January 1, 1960. The Charter establishes a strong Mayor-Council form of government.

The City provides municipal services such as police and fire protection, emergency medical service, administration of justice, community planning and development, recreational and cultural activities, street maintenance, cemetery operations, environmental services and other functions necessary for general government. The City also operates certain enterprise operations such as water and sanitary sewer service, refuse collection, electric distribution and recreation facilities that include a natatorium, a golf course, driving range/batting cages/miniature golf, an outdoor water park and a community center.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and Statement No. 39, Determining Whether Certain Organizations are Component Units, in that the financial statements include those activities and functions in which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. Based on this criteria, the City has one component unit.

Component unit – The Community Improvement Corporation of Cuyahoga Falls (CIC) is a not for profit corporation to advance, encourage, and promote the industrial, commercial, civic, and economic development of Cuyahoga Falls, Ohio, under the applicable sections of the Ohio Revised Code. The City has assumed a financial burden to the component unit through its contribution of tax increment financing received from the Summit County Fiscal Officer to the CIC. Since this funding represents a significant portion of CIC revenue, the organization is fiscally dependent on the City. Also, the majority of the CIC’s board is appointed by the City. The City has chosen the discrete method of presentation of CIC because it provides services to the primary government and the citizens of the City as opposed to only the primary government. The discrete method of presentation requires component unit data to be reported together with, but separately from the data of the primary government in the government-wide financial statements. Complete financial statement for the CIC may be obtained at the entity’s administrative offices, 2310 Second Street, Cuyahoga Falls, Ohio 44221.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cuyahoga Falls have been prepared in conformity with generally accepted accounting principals (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 principals. The City applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

A. Basis of Presentation

The City’s basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues which are not classified as program revenues are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial Statements are designated to present financial information of the City at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds, which includes all enterprise funds, are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and presented in a single column on the governmental fund statements. Governmental activities internal service funds are aggregated and presented in a single column in the proprietary fund statements. The City's only business-type internal service fund, the Utility Billing Fund, which is a billing and collections operation for the City's utility enterprise funds: Sewage and Disposal, Water, Electric and Sanitation, has been directly reported in those funds. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund

This fund accounts for all financial resources of the City except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Cuyahoga Falls and/or the general laws of Ohio.

Municipal Income Tax Special Revenue Fund

This fund accounts for income tax revenue and the expenses of the administration of the income tax. After operating expenses are deducted, allocation is made to the General Fund, Recreation Levy Special Revenue Fund and Capital Projects Fund at a rate of 62.67 percent, 8 percent, and 29.33 percent, respectively.

City of Cuyahoga Falls, Ohio

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund

This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The other governmental funds of the City account for grants and other resources which are restricted to a particular purpose.

Proprietary Fund Types

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewage and Disposal Enterprise Fund

This fund accounts for sanitary sewer service provided to residential and commercial users within the City.

Water Enterprise Fund

This fund accounts for the provision of water treatment and distribution to residential and commercial users within the City, the Village of Munroe Falls, the Village of Silver Lake and certain other residents within close proximity.

Electric Enterprise Fund

This fund accounts for the distribution of electricity to residential and commercial users within the City.

Sanitation Enterprise Fund

This fund accounts for the refuse and recycling collection services provided to residential and commercial users within the City.

Leisure Time Enterprise Fund

This fund accounts for the revenues and expenses of an outdoor swimming pool, a Community Recreation Center, a municipal golf course/driving range/batting cages/miniature golf facility and a civic cultural center.

Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department of the City to other departments or agencies of the City on a cost-reimbursement basis. The City has the following internal service funds, which are described in the combining statements and individual fund statements section: Garage, Office Supply, Information Services, Self Insurance, Workers' Compensation and Compensated Absences. All of the City's internal service funds are nonmajor funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City of Cuyahoga Falls has no trust funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results and operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City’s agency funds account for money received from the City for employer pension and Medicare payments, employee withholdings, deposits held for contractors and developers and money on deposit with the Cuyahoga Falls Municipal Court.

C. Measurement Focus

Government wide-Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

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

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

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 4). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure

City of Cuyahoga Falls, Ohio

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, tuition, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Budgetary Data

The budgetary process is prescribed by Charter and by the provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Alternative Tax Budget Information Form, the Official Certificate of Estimated Resources and the Appropriation Ordinance(s), all of which are prepared on the budgetary basis of accounting.

All funds other than the Agency Funds are legally required to be budgeted. The Cemetery Perpetual Care Permanent Fund is not reported on a budgetary basis, as the fund did not have expenditures on a non-GAAP budgetary basis. However, only governmental funds are reported.

Tax Budget

The Summit County Budget Commission (the “Commission”) has waived the requirement for a taxing authority to officially adopt a tax budget, pursuant to ORC. However, the Commission requires a taxing authority to complete and file an Alternative Tax Budget Form (preliminary financial plan) with the County Fiscal Officer on or before July 20th for all subdivisions excluding school districts, which file their form on or before January 20th. The form is prepared to assist the Commission in performing their duties, including the division of the tax rates and the creation of the Official Certificate of Estimated Resources. The following schedules are provided in the form:

- Levies inside and outside ten mill limitation, inclusive of debt levies.
- Detailed statement of fund activity for the General Fund and any other fund that receives property tax.
- Aggregate statement of fund activity for all other budgeted funds.
- Unvoted general obligation debt.
- Voted debt outside ten mill limit.
- Tax anticipation notes

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Resources

The Commission certifies its actions regarding the Tax Budget to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any balances from the preceding year. The Certificate of Estimated Resources may also be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure.

Since the Official Certificate of Estimated Resources is based on the Alternative Tax Budget Information Form, which is preliminary in nature, the amounts reported as the original budgeted amounts on the budgetary statements are based on the first Amended Official Certificate of Estimated Resources to which the original appropriations are based. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final Amended Certificate of Estimated Resources.

Appropriations

A temporary Appropriation Ordinance to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources, as certified by the Commission.

The Appropriation Ordinance represents City Council authorization to spend resources and sets annual limits on expenditures of the resources. The initial level of budgetary control is passed by City Council at the fund level, with further restrictions prohibiting the transfer of funds between departments of a particular fund and limiting transfers of sums between line items of a department, at any time within the fiscal year which exceed in the aggregate seven percent of the amount originally appropriated in the line item from which the transfer is made, but not to exceed \$10,000. The City Finance Director is authorized by Charter to transfer funds already appropriated between funds and departments; however, any revisions that change the total fund appropriations or exceed the limits restricting transfers of sums between line items must be approved by City Council.

The amounts reported as the original budgeted amounts reflect the original Appropriation Ordinance. The amounts reported as the final budgeted amounts represent the final Appropriation Ordinance, including all amendments and modifications passed by City Council in December 2005.

Lapsing of Appropriations

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 year and is not reappropriated.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances in governmental fund financial statements since they do not constitute expenditures or liabilities.

City of Cuyahoga Falls, Ohio

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity in Pooled Cash and Cash Equivalents and Investments

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. The restricted cash and investments from the following funds are not included in the City's pooled cash and investments: Debt Service Fund, Capital Improvement Reserve Capital Projects Fund, Cemetery Perpetual Care Permanent Fund and the Municipal Court Agency Fund. These short-term investments consist of repurchase agreements, U.S. Treasury Notes, money market accounts and other governmental bonds. Investments maturing within three months of purchase and investments of the pool are included in "Equity in Pooled Cash and Cash Equivalents." Investments with maturities of greater than three months are shown as "Investments" on the balance sheet. For purposes of the statements of cash flows, cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less.

Invested monies are stated at fair value, with the exception of money market investments and participating interest-earning contracts that have a remaining maturity at time of purchase of one year or less, which are reported at amortized cost. For reporting purposes, interest earned by the cash and investment pool has been reported as interest income by the Capital Improvement Reserve Capital Projects Fund in accordance with local ordinance.

Inventory of Supplies

On Government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost and inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in governmental funds when purchased and as an expense in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in governmental funds which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption or resale.

Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items. On the government-wide and proprietary fund statements, prepaid items are recorded using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed. On the fund financial statements, the actual payment for these services are recorded as an expenditure when purchased. Reported prepaid items are equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets.

Capital Assets

General capital assets are those specifically associated with general governmental activities. These assets primarily result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective fund statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City raised the capitalization threshold to \$5,000 in 2005. The City’s infrastructure consists of roads, bridges, culverts, storm sewers and traffic signalization. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized. The cost of normal maintenance and repairs that does not meet the capitalization criteria is not capitalized. Interest incurred in capital leases or during construction periods is not capitalized. The City has elected to phase in reporting of major general infrastructure assets for the year ended December 31, 2006. See Note 19 for detail.

All capital assets are depreciated with the exception of land and construction in progress. These capital assets are depreciated over the remaining useful lives of the related asset. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Buildings	10-50
Improvements other than buildings	5-50
Equipment	3-30
Infrastructure	25-50

Interfund Balances

On the fund financial statements, unpaid amounts for interfund services are reported as “Due to/from other funds.” Interfund loans are classified as “Advances to/from other funds” and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned, since these amounts are attributable to services already rendered and the probability exists that the City will compensate employees for these benefits through paid time off or compensation. Sick leave benefits are accrued as a liability using the termination method. An accrual is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City’s past experience of making termination payments.

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

For Governmental Funds, the current portion of unpaid compensated absences is the amount of matured compensated absences expected to be paid using expendable available financial resources. These amounts are included in accrued salaries, wages and benefits in the funds from which employees are paid. The noncurrent portion of the liability is not reported. In proprietary fund types, the entire amount of compensated absences is reported as a fund liability.

City of Cuyahoga Falls, Ohio

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 proprietary funds 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, compensated absences and contractually required pension contributions 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 and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, prepaid items, advances, investments, inventory of supplies, loans receivable, debt service and cemetery perpetual care are recorded as a reservation of fund balance.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Grants and Intergovernmental Revenues

Federal Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenue in the period when all applicable eligibility requirements have been met and the resources are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitary sewer service, water, electric distribution, refuse collection, leisure time activities, internal service charges and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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.

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 City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

Estimates

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the City is 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 disbursements and encumbrances. The ORC prohibits expenditures plus encumbrances from exceeding appropriations.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund and the Municipal Income Tax 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 as provided by law and GAAP basis are as follows:

- A. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- B. Expenditures are recorded when paid in cash or encumbered (budget) as opposed to when the liability is incurred (GAAP).
- C. Encumbrances are treated as expenditures (budget) rather than as a reservation of a fund balance (GAAP).
- D. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

City of Cuyahoga Falls, Ohio

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General and the Municipal Income tax Funds are as follows:

	Net Change in Fund Balance	
	<u>General Fund</u>	<u>Municipal Income Tax Fund</u>
GAAP Basis	\$ (550,845)	\$ 0
Increase (decrease) due to:		
Change in receivables and other assets not recognized on a budget basis	(46,016)	804,606
Change in liabilities not recognized on a budget basis	605,324	(874,219)
Encumbrances	<u>(310,302)</u>	<u>(17,240)</u>
Budget Basis	<u>\$ (301,839)</u>	<u>\$ (86,853)</u>

NOTE 4 - RECEIVABLES

Receivables at December 31, 2005, consisted primarily of municipal income taxes, property taxes and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, and accounts (billings for utilities and EMS Transport services provided). Utility accounts receivable and EMS Transport fees receivable billed to customers prior to year end are recorded net of an allowance for doubtful accounts, based on management's estimate.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a triennial update. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable by June 20. In certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes (for tangible property other than public utility property) attach as a lien and are levied on January 1 of the current calendar year. Tax collections for the current year are therefore based upon assessed values as of January 1 of the current year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien

NOTE 4 – RECEIVABLES (CONTINUED)

date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same date as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Cuyahoga Falls. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively. The amounts of \$10,205,601 and \$588,786 have been recorded in the Statement of Net Assets for the General Fund and other governmental funds (Police and Fire Pension Funds) as taxes receivable to reflect property taxes receivable as of December 31, 2005.

The assessed values of real public utility and tangible personal property upon which 2005 property tax receipts were based are as follows:

Property Types	Valuation
Real Property – 2004 Tax Valuation	\$ 914,212,620
Public Utility Property – 2003 Tax Valuation	16,099,970
Tangible Personal Property – 2005 Tax Valuation	82,276,185
Total Valuation	\$ 1,012,588,775

Income Taxes

The City levies a tax at the rate of 2 percent on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income earned outside the City; however, a 100 percent credit is allowed for income taxes paid to other municipalities with a limitation of 2 percent. The proceeds of the income tax, after payment of the expenses of collection, are allocated by ordinance as follows: 8 percent to the Recreation Levy Special Revenue Fund, 29.33 percent to the Capital Projects Fund and 62.67 percent to the General Fund. The portion allocated to the Recreation Levy Fund and the Capital Projects Fund may be utilized for the acquisition of capital items or the payment of debt service thereon.

Municipal income tax revenue for 2005 was \$16,908,814. The amount of \$3,051,160 has been recorded in the Municipal Income Tax Special Revenue Fund as taxes receivable (net of refunds) to reflect income taxes receivable recorded as of December 31, 2005.

Employers within the City are required to withhold income tax on employee compensation, remit this tax to the City at least quarterly and file a declaration annually. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

City of Cuyahoga Falls, Ohio

NOTE 4 – RECEIVABLES (CONTINUED)

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government and Local Government Revenue	
Assistance	\$ 1,436,415
Estate Tax	581,895
Municipal Income Tax	75,588
Homestead and Rollback	615,582
Gasoline and Excise Tax	363,187
Motor Vehicle License Fees	138,173
Permissive Motor Vehicle License Tax	38,168
EMS Transport Fees	123,226
In Lieu of Public Site	223,170
Other Court Communities	233,208
Highway Distribution	289,201
Municipal Court	226,685
Off Road Fuel Tax Reimbursement	195
Ohio Public Works Commission	167,714
Other Agencies	64,296
Total Governmental Activities	<u>\$ 4,576,703</u>
<u>Business-type Activities</u>	
Utilities Charges	\$ 34,376
Grants	11,320
Off Road Fuel Tax Reimbursement	1,262
	<u>\$ 46,958</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Policies and Practices

The Charter of the City of Cuyahoga Falls specifies that the Finance Director is responsible for the safekeeping and investment of all public funds. It is also the Finance Director's responsibility to deposit and invest the City's idle funds. Periodically, the Finance Director consults with the other members of the Treasury Investment Board (Mayor and Law Director) concerning investment decisions.

The deposit and investment of City monies is governed by the provisions of the Charter and Codified Ordinances of the City and the ORC. In accordance with the provisions of these items, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. These provisions restrict the investment of the City's monies to certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool, obligations of the United States government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities, and repurchase agreements with any eligible depository for a period not exceeding thirty days. The City's practice is to limit investments to U.S. Treasury Notes and Bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other U.S. agencies.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation or may

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

pledge a pool of government securities the face value of which is at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name.

During 2005, the City believes it has complied with the revisions of these statutes pertaining to the types of investments held and institutions in which deposits were made. The City was also in compliance with the provisions of the statutes concerning security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

State statutes classify monies held by the City 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 City 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 Council 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 deposits 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.

Protection of the City'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 finance director 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.

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;

City of Cuyahoga Falls, Ohio

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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. Historically, the City has not purchased these types of investments or issued these types of investments or issued these types of notes. An investment must mature in five years from the date of purchase unless matched to a specific obligation or debt of the City, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end. The carrying amount of the City's deposits was \$35,329,888 and the bank balance was \$35,718,941. Of the bank balance \$224,584 was covered by Federal depository insurance and \$35,494,357 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or Federal Reserve, but not in the City's name.

At year end, the carrying amount of the Community Improvement Corporation of Cuyahoga Falls, a component unit, deposits was \$ 835,447 and the bank balance was \$ 833,302. Information regarding the collateralization of the Community Improvement Corporation of Cuyahoga Falls can be obtained from the corporation's independent audit report.

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Investments are reported at fair value. As of December 31, 2005, the City had the following cash and investments:

	Fair Value	Credit Rating (*)	Investment Maturities (In Years)	
			<1	<2
Repurchase Agreements				
Federal Mortgage Bond	\$ 3,420,000	AAA		
US Treasury Bills	30,000	AAA	\$ 30,000	
US Treasury Notes	65,000	AAA	40,000	\$ 25,000
Manuscript Bond	12,000			12,000
Carrying Amount of Deposits	<u>\$ 35,329,888</u>		<u>\$ 35,329,888</u>	
Total	<u>\$ 38,856,888</u>		<u>\$ 35,399,888</u>	<u>\$37,000</u>

* Current ratings were obtained from Standard and Poor's.

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. To date, no investments have been purchased with a life greater than five years except for the manuscript bonds. The manuscript bond represents an investment in 1991 Street Improvement Special Assessment Projects. This bond matures December 1, 2011

Credit Risk

The credit risk of the City's investments are displayed in the table above. The City has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Bond, Federal National Mortgage Association Note, and Federal Home Loan Mortgage Note are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. The City 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 Finance Director or qualified trustee.

City of Cuyahoga Falls, Ohio

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Defined by the Governmental Accounting Standards Board as having five percent more invested in the securities of a single issuer. The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's risk allocation on deposit and investment as of December 31, 2005:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal National Mortgage Bond	8.61%
US Treasury Bills	.0781%
US Treasury Notes	.1693%
Manuscript Bond	.0313%
Carrying Amount of Deposits	91.1113%

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 8,211,061	\$ -	\$ (99,159)	\$ 8,111,902
Construction In Progress	689,047	1,104,570	(92,520)	1,701,097
<i>Total Capital Assets Not Being Depreciated</i>	8,900,108	1,104,570	(191,679)	9,812,999
<i>Capital Assets Being Depreciated</i>				
Buildings	22,759,683	530,900	(130,592)	23,159,991
Improvements	262,637	310,360	(2,608)	570,389
Machinery and Equipment	21,025,134	1,638,812	(1,869,242)	20,794,704
Infrastructure				
Roads	10,975,493	1,017,609	-	11,993,102
Storm Sewers	228,903	195,215	(3,905)	420,213
Traffic Signals	16,530	-	-	16,530
Bridges	3,510,248	38,406	-	3,548,654
<i>Total Capital Assets Being Depreciated</i>	58,778,628	3,731,302	(2,006,347)	60,503,583
<i>Less Accumulated Depreciation</i>				
Buildings	(6,114,374)	(606,472)	65,633	(6,655,213)
Improvements	(257,804)	(2,110)	2,608	(257,306)
Machinery and Equipment	(14,392,386)	(1,512,430)	1,344,169	(14,560,647)
Infrastructure				
Roads	(303,194)	(468,838)	-	(772,032)
Storm Sewers	(6,943)	(7,597)	24	(14,516)
Traffic Signals	(2,996)	(1,653)	-	(4,649)
Bridges	(33,764)	(88,716)	-	(122,480)
<i>Total Accumulated Depreciation</i>	(21,111,461)	(2,687,816)	1,412,434	(22,386,843)
<i>Total Capital Assets Being Depreciated, Net</i>	37,667,167	1,043,486	(593,913)	38,116,740
<i>Governmental Activities Capital Assets, Net</i>	\$ 46,567,275	\$ 2,148,056	\$ (785,592)	\$ 47,929,739

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 894,466
Security of Persons and Property	900,181
Community Environment	154,245
Leisure Time Activities	249,019
Transportation	348,427
Garage	14,573
Information Services	126,905
Total	\$ 2,687,816

City of Cuyahoga Falls, Ohio

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
Business -type Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 2,646,180	\$ -	\$ (46,428)	\$ 2,599,752
Construction In Progress	<u>683,126</u>	<u>3,735,498</u>	<u>(1,158,385)</u>	<u>3,260,239</u>
<i>Total Capital Assets Not Being Depreciated</i>	3,329,306	3,735,498	(1,204,813)	5,859,991
<i>Capital Assets Being Depreciated</i>				
Buildings	36,886,998	735,570	(37,951)	37,584,617
Improvements	66,564,960	1,618,790	(555,392)	67,628,358
Machinery and Equipment	<u>9,893,256</u>	<u>1,214,451</u>	<u>(1,456,435)</u>	<u>9,651,272</u>
<i>Total Capital Assets Being Depreciated</i>	113,345,214	3,568,811	(2,049,778)	114,864,247
<i>Less Accumulated Depreciation</i>				
Buildings	(2,343,880)	(815,601)	25,265	(3,134,216)
Improvements	(27,585,367)	(1,635,707)	448,613	(28,772,461)
Machinery and Equipment	(6,688,962)	(686,416)	1,025,681	(6,349,697)
<i>Total Accumulated Depreciation</i>	<u>(36,618,209)</u>	<u>(3,137,724)</u>	<u>1,499,559</u>	<u>(38,256,374)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>76,727,005</u>	<u>431,087</u>	<u>(550,219)</u>	<u>76,607,873</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 80,056,311</u>	<u>\$ 4,166,585</u>	<u>\$ (1,755,032)</u>	<u>\$ 82,467,864</u>
*Depreciation expense was charged to business-type activities as follows:				
Sewer				\$ 452,508
Water				728,770
Electric				885,284
Sanitation				171,517
Leisure Time				<u>899,645</u>
Total				<u>\$ 3,137,724</u>

NOTE 7 - PENSION PLANS

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years @ 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member direct plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$1,923,116, \$1,846,981, and \$1,759,706, respectively; 73.40 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$15,574 made by the City and \$9,770 made by the plan members.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215- 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$604,062 and \$841,263, respectively for the year ended December 31, 2005, \$588,979 and \$814,499 for the year ended December 31, 2004, and \$551,260 and \$791,508 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003; 72.35 percent for police and 72.37 percent for firefighters, respectively, have been contributed for 2005.

City of Cuyahoga Falls, Ohio

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-retirement health care. The Ohio revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The City's annual contributions for 2005 used to fund post-employment benefits were \$810,091. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing healthcare costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F funds shall be included in the employer's contribution rate. Health care funding and accounting are on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to

NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

the post-employment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 was 13,812 for police and 10,528 for firefighters.

The City's annual contributions for 2005 that were used to fund post-employment benefits were \$398,424 for police and \$401,218 for fire. OP&F's total health care expenses for the year ended December 31, 2004 (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341.

NOTE 9 - COMPENSATED ABSENCES

Vacation leave is earned at rates, which vary depending upon length of service and standard work week. Currently City policy permits vacation leave to be accumulated up to three weeks per year. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned by substantially all full-time employees and a portion of such sick leave may be paid in cash upon termination, retirement, or death, if certain service requirements are met. Specific sick leave cash-outs are based on formulas contained in union contracts and/or ordinances as follows:

Cash-out Limits	Employee Class	Affiliation
100% of accumulated sick leave up to a maximum of 960 hours	Non-bargaining employees	None
	Municipal Court employees	None
	Patrol Officers	Fraternal Order of Police-Blue (FOP-Blue)
	Community Service Officers	Fraternal Order of Police-Blue (FOP-Blue)
	Various government employees	American Federation of State, County, and Municipal Employees (AFSCME)
	Electric employees	Utility Workers of America Local #399
100% of accumulated sick leave up to a maximum of 1,500 hours	Dispatchers	Fraternal Order of Police-Ohio Labor Council, Inc. (FOP-OLC)
	Police Sergeants/Lieutenants - Captains/Chief -	Fraternal Order of Police-(FOP-Gold) None
46.67% of accumulated sick leave up to a maximum of 2,704 hours	Firefighters	International Association of Firefighters Local #494 (IAFF)

Sick leave may be accumulated beyond these cash-out limits, but can only be used when employees are absent from work due to illness. Compensatory time is earned by substantially all regular non-management employees. Compensatory time that is not used per union contracts and/or City ordinances is paid in cash to the appropriate employees in accordance with the Fair Labor Standards Act.

City of Cuyahoga Falls, Ohio

NOTE 9 - COMPENSATED ABSENCES (CONTINUED)

Employees who have qualified for a service pension (FOP-Gold, FOP-Blue, Dispatchers) or who are within three years of qualifying for a service pension (Non-bargaining, Court, Utility Workers, Firefighters, AFSCME) are permitted to annually sell one-third of their accumulated sick leave hours, up to the maximum hours allowed for their employee class, during their last three years of employment with the City.

In compliance with union contracts, the City has established an Internal Service-Compensated Absence Fund to fund the sick leave and vacation cash out payments.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is involved in legal actions arising in the ordinary course of business. The City carries adequate insurance coverage for most risks including property damage, personal liability and estimates for any potential claims not covered by such insurance will not materially affect the City's results of operations or financial position.

B. Federal and State Grants

The City participates in state and federally assisted grant programs. The programs are subject to review and audit by the grantor agency or their representatives. It is not anticipated that any audit of federal or state grant programs, if conducted, would result in a material disallowance of grant expenditures. Therefore, no provision for possible refunds has been recorded.

C. Insurance Coverage

The City maintains a variety of liability insurance coverages with varying deductibles. Among these coverages are general liability with limits of \$2 million annually in the aggregate and \$1 million per occurrence, with a \$100,000 self-insurance retention. In addition, the City has umbrella liability coverage with limits of \$10 million in the aggregate and \$10 million per occurrence.

NOTE 11 - CAPITAL LEASES

The City has entered into agreements to lease equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date for governmental activities and business-type activities in the Statement of Net Assets. The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 394,746	\$ 323,003
Less: Accumulated Depreciation	<u>(139,264)</u>	<u>(323,003)</u>
Total	\$ <u>255,482</u>	\$ <u>0.00*</u>

* Due to the change in the threshold amount of capitalization, this equipment is no longer individually identified on Capital Asset Schedules. It is not subject to depreciation and has been fully expensed. See Note 2 for details.

NOTE 11 - CAPITAL LEASES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2006	43,792	111,430
2007	43,792	111,430
Total	<u>87,584</u>	<u>222,860</u>
Less: Amount representing interest	<u>(7,217)</u>	<u>(10,412)</u>
Present value of minimum lease payments	<u>\$ 80,367</u>	<u>\$ 212,448</u>

NOTE 12 - SHORT-TERM OBLIGATIONS

A summary of the changes in the City's short-term obligations for the year ended December 31, 2005, was as follows:

	Balance January 1, 2005	Issued	Retired	Balance December 31, 2005
General Obligation Bond Anticipation Notes				
<u>Governmental Activities:</u>				
Capital Projects Fund Obligations:				
3.00% Various Purpose Note due 12/15/05	7,400,000	0	7,400,000	0
4.25% Various Purpose Note due 12/14/06	0	6,700,000	0	6,700,000
<u>Business-type Activities:</u>				
Leisure Time Fund Obligations:				
3.00% Various Purpose Notes due 12/15/05	18,300,000	0	18,300,000	0
4.25% Various Purpose Notes due 12/14/06	0	19,900,000	0	19,900,000
Sewer Fund Obligations				
4.25% Sanitary Sewer Imp. Notes due 12/14/06	0	1,400,000	0	1,400,000
Total	\$ 25,700,000	\$ 28,000,000	\$ 25,700,000	\$ 28,000,000

On December 14, 2005, the City issued notes in the amount of \$26,600,000 in anticipation of the issuance of bonds, for the following purposes: improving State Road from the south corporation line to Portage Trail; constructing and equipping a community recreation center, constructing a public festival site to be known as Falls River Square, and improving Front Street from State Route 8 to Oakpark Boulevard.

In addition, on December 29, 2005, the City issued Sanitary Sewer Improvement Notes in the amount of 1,400,000 in anticipation of the issuance of bonds for the purpose of paying costs of constructing sanitary sewer lines in Kellybrook Drive and Antoinette Drive and constructing sanitary sewer lines in Monroe Falls Avenue as part of the Second street and Vincent Street combined sewer separation project.

City of Cuyahoga Falls, Ohio

NOTE 13 - LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate, and original issuance amount for each of the City's bonds follows:

	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
<u>Business-type Activities:</u>				
Enterprise Fund Obligations				
<u>Bonds Payable</u>				
Recreation Refunding Issue	5/15/1995	12/01/2010	4.0%-5.6%	\$ 2,325,000
Electric Refunding Issue	5/15/1995	12/01/2010	4.0%-5.6%	3,225,000
1995 Recreation Facilities	3/01/1995	12/01/2012	4.4%-6.0%	3,426,217
1997 Sewer Improvement	8/01/1997	12/01/2011	3.8%-5.25%	2,329,412
1997 Water Improvement	8/01/1997	12/01/2011	3.8%-5.25%	2,070,588
1998 Sewer Improvement	12/01/1998	12/01/2018	3.05%-4.70%	2,415,000
1998 Water Improvement	12/01/1998	12/01/2018	3.05%-4.70%	4,925,000
2001 Water Improvement	8/01/2001	12/01/2011	3.25%-4.55%	5,175,000
2004 Recreation Improvement	4/08/2004	12/01/2024	2.00%-5.00%	8,000,000
2004 Various Purpose Refunding	4/08/2004	12/01/2015	2.00%-4.00%	2,407,037
<u>Governmental Activities:</u>				
<u>Bonds Payable</u>				
Special Assessment General Obligation Bonds:				
1991 Street Improvement	8/1/1991	12/01/2011	7.25%	\$ 533,451
1995 Street & Sewer Refunding Issue	5/15/1995	12/01/2010	4.00%-5.60%	750,000
2001 Street Improvement	12/28/2001	12/01/2011	3.25%-4.55%	425,000
Other General Obligation Bonds:				
1995 Various Purpose Refunding Issue	5/15/1995	12/01/2010	4.00%-5.60%	\$ 1,915,000
1995 Various Purpose Improvement	3/01/1995	12/01/2012	4.40%-6.00%	6,238,783
1997 Various Purpose Improvement	8/01/1997	12/01/2011	3.8%-5.25%	5,150,000
1998 Various Purpose Improvement	12/01/1998	12/01/2018	3.05%-4.70%	1,025,000
2004 Various Purpose Refunding	4/08/2004	12/01/2015	2.00%-4.00%	4,382,963

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in the City's long-term obligations for the year ended December 31, 2005, was as follows:

	<u>Balance January 1, 2005</u>	<u>Issued</u>	<u>Retired 2005</u>	<u>Balance December 31, 2005</u>	<u>Amount Due Within One Year</u>
Business-type Activities:					
Enterprise Fund Obligations					
<u>Bonds Payable</u>					
1995 Recreation Refunding Issue	\$ 1,012,941	\$ 0	\$ 234,332 ¹	\$ 778,609	\$ 245,673
1995 Electric Refunding Issue	1,860,894	0	270,149 ²	1,590,745	285,149
1995 Recreation Facilities	157,751	0	157,751	0	0
1997 Sewer Improvement	1,742,790	0	98,787	1,644,003	103,665
1997 Water Improvement	1,549,146	0	87,810	1,461,336	92,147
1998 Sewer Improvement	1,878,014	0	101,046	1,776,968	106,820
1998 Water Improvement	3,829,901	0	206,067	3,623,834	217,842
2001 Water Improvement	4,680,000	0	195,000	4,485,000	200,000
2004 Various Purpose Refunding	2,345,000	0	37,222	2,307,778	205,608
2004 Recreation Improvement	8,000,000	0	295,000	7,705,000	300,000
Total Business-type Activities Bonds Payable	<u>27,056,437</u>	<u>0</u>	<u>1,683,164</u>	<u>25,373,273</u>	<u>1,756,904</u>
<u>Other Obligations</u>					
Capital Lease Obligations	323,003	0	110,555	212,448	104,525
Compensated absences (Note 9)	2,275,547	970,450	906,523	2,339,474	807,928
Total Business-type Activities	<u>29,654,987</u>	<u>970,450</u>	<u>2,700,242</u>	<u>27,925,195</u>	<u>2,669,357</u>
Governmental Activities:					
<u>Bonds Payable</u>					
Special Assessment General Obligation Bonds:					
1991 Street Improvement	\$ 14,000	\$ 0	\$ 2,000	\$ 12,000	\$ 2,000
1995 Street & Sewer Refunding Issue	331,707	0	76,829	254,878	80,488
2001 Street Improvement	315,000	0	40,000	275,000	40,000
	660,707	0	118,829	541,878	122,488
Other General Obligation Bonds:					
1995 Various Purpose Refunding Issue	1,025,000	0	150,000	875,000	160,000
1995 Various Purpose Improvement	287,249	0	287,249	0	0
1997 Various Purpose Improvement	3,853,062	0	218,403	3,634,659	229,188
1998 Various Purpose Improvement	797,087	0	42,887	754,200	45,338
2004 Various Purpose Refunding	4,270,000	0	67,778	4,202,222	374,391
	10,232,398	0	766,317	9,466,081	808,917
Total Governmental Activities Bonds Payable	<u>10,893,105</u>	<u>0</u>	<u>885,146</u>	<u>10,007,959</u>	<u>931,405</u>
<u>Other Obligations</u>					
Capital Lease Obligations (Note 11)	193,227	0	112,860	80,367	39,026
Compensated absences, (Note 9)	6,229,053	3,105,845	2,713,884	6,621,014	2,816,145
Claims and Judgments Payable	2,120,371	5,333,023	5,234,835	2,218,559	1,452,399
Total Governmental Activities Other Obligations	<u>8,542,651</u>	<u>8,438,868</u>	<u>8,061,579</u>	<u>8,919,940</u>	<u>4,307,570</u>
Total Governmental Activities	<u>\$ 19,435,756</u>	<u>\$ 8,438,868</u>	<u>\$ 8,944,725</u>	<u>\$ 18,927,899</u>	<u>\$ 5,238,975</u>

¹This amount represents principal payment of \$238,171 less amortization expense of \$3,839.

²This amount represents principal payment of \$275,000 less amortization expense of \$4,851.

City of Cuyahoga Falls, Ohio

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2005, the City's legal debt margin (the ability to issue additional amounts of general obligation bonded debt without a vote of the electors) was \$46,292,387. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2005 (excluding capital leases) are as follows:

Year	Enterprise Fund Obligations		Special Assessment Bonds		Other General Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,756,905	1,101,640	122,488	25,059	808,918	389,718
2007	1,819,175	1,033,948	132,366	19,169	831,771	361,513
2008	1,900,212	963,382	136,024	12,880	867,075	348,993
2009	1,688,685	886,968	47,000	6,240	891,464	300,353
2010	1,750,766	820,148	52,000	4,340	924,383	265,652
2011-2015	7,859,195	3,126,267	52,000	2,195	4,160,806	797,745
2016-2020	6,038,335	1,422,321	0	0	981,664	81,203
2021-2024	<u>2,560,000</u>	<u>297,364</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>25,373,273</u>	\$ <u>9,652,038</u>	\$ <u>541,878</u>	\$ <u>69,883</u>	\$ <u>9,466,081</u>	\$ <u>2,545,177</u>

All general obligation bonds and notes issued by the City are backed by its full faith and credit. This includes the general property taxing power permitted within the tax limitation of the City Charter. In addition, special assessments have been levied to pay the debt service of the special assessment bonds. In the event of a default by a benefited property owner, the City would be responsible for paying the special assessment obligation. The amount of \$354,677 of special assessments receivable recorded in the Debt Service Fund does not represent any delinquent special assessments. Although the obligations of the enterprise funds are general obligations of the City, the practice has been to have the debt serviced by the revenues derived from the operations of the respective funds.

Compensated Absences are paid from the fund in which employees' salaries are paid.

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, including advances, at December 31, 2005 are as follows:

Fund	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Advances to <u>Other Funds</u>	Advances from <u>Other Funds</u>
General Fund	<u>\$ 1,528,314</u>	<u>\$ 724,813</u>	<u>\$ 0</u>	<u>\$ 0</u>
Special Revenue Funds:				
Municipal Income Tax	0	2,077,111	0	0
Street Construction, Maintenance and Repair	0	60,945	0	0
Police Pension	0	0	0	0
Fire Pension	7,052	0	0	0
Recreation Levy	365,506	0	0	0
CDBG	0	1,842	0	0
Probation	0	0	0	0
Suspended License Intervention Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>372,558</u>	<u>2,139,898</u>	<u>0</u>	<u>0</u>
Capital Projects Funds:				
Capital Projects	606,785	0	0	214,316
Capital Improvement Reserve	0	0	214,316	0
Storm Drainage Utility	<u>3,955</u>	<u>1,842</u>	<u>0</u>	<u>0</u>
	<u>610,740</u>	<u>1,842</u>	<u>214,316</u>	<u>214,316</u>
Permanent Fund:				
Cemetery Perpetual Care	<u>7,530</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>7,530</u>	<u>0</u>	<u>0</u>	<u>0</u>
Enterprise Funds:				
Sewage and Disposal	44,809	191,574	0	765,000
Water	0	307,240	0	0
Electric	892,135	99,849	1,165,000	0
Sanitation	25,565	180,016	0	400,000
Leisure Time	<u>0</u>	<u>664,713</u>	<u>0</u>	<u>0</u>
	<u>962,509</u>	<u>1,443,392</u>	<u>1,165,000</u>	<u>1,165,000</u>
Internal Service Funds:				
Garage	0	18,965	0	0
Self-Insurance	859,234	0	0	0
Information Services	<u>0</u>	<u>11,975</u>	<u>0</u>	<u>0</u>
	<u>859,234</u>	<u>30,940</u>	<u>0</u>	<u>0</u>
Total All Funds	<u>\$ 4,340,885</u>	<u>\$ 4,340,885</u>	<u>\$ 1,379,316</u>	<u>\$ 1,379,316</u>

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Advances are considered to be long-term and therefore will be repaid in the following manner:

Year	General Fund	Recreation Levy	Capital Projects	<u>Enterprise</u>		Total
				Sewage and Disposal	Sanitation	
2006	\$ 0	\$ 0	\$ 214,316	\$ 85,000	\$ 100,000	\$ 399,316
*2007-2014	0	0	0	680,000	300,000	980,000
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 214,316</u>	<u>\$ 765,000</u>	<u>\$ 400,000</u>	<u>\$ 1,379,316</u>

City of Cuyahoga Falls, Ohio

NOTE 15 - RISK MANAGEMENT

It is the policy of the City to purchase commercial insurance for the risk of losses in the following areas: comprehensive general liability, auto liability, property and boiler, law enforcement professional liability, umbrella excess liability and public officials errors and omissions. The City believes in minimizing its risk through the procurement of the aforementioned coverages. These policies maintain the same level of coverage that was provided in previous years.

Liabilities exceeding the umbrella excess liability amount and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Management believes that incurred, but not reported claims, if any, are immaterial. Settlements for the past three fiscal years have not exceeded the insurance coverage/policy limits during those years.

A. Self -Insurance Internal Service Fund

On April 1, 2004, the City changed third party administration of health insurance claims to Benefit Services, Inc. Claims are fully paid by the City for full-time employees through the City's Self-Insurance Internal Service Fund, which provides funding for health-care coverage. Benefit Services reviews all claims in accordance with the Summary Plan Description and claims are then paid by the Self-Insurance Fund. For the fiscal coverage year April 1, 2005 through March 31, 2006, the City has purchased specific stop-loss coverage of \$175,000 per person and aggregate stop-loss coverage of \$7,193,811.

The Self-Insurance Fund generates revenues by charging an actuarially determined premium to each fund based on the number of full-time employees enrolled for health-care coverage. The Self-Insurance Fund pays all claims, stop-loss coverages and retention fees for health-care coverage. A liability, in the amount of \$1,070,223 has been recorded to reflect the outstanding claims as of December 31, 2005. Most health insurance claims are presented for payment to the City within several months after occurrence.

B. Workers' Compensation Internal Service Fund

As of December 31, 2005, the City completed its thirteenth consecutive year of participating with the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Plan. The self insurance program requires the City to pay only administrative and minimum premium charges to the Bureau, and in turn the City reimburses the Bureau for all claim costs incurred during the policy period for up to ten years. At the tenth year, the Bureau actuarially determines the expected future cost of any ten-year old claim that is still active and bills the City. The Bureau then assumes all future liability for the claim. Active management of each claim, from inception, offers the City the opportunity to reduce the cost of each claim. The maximum individual claim cost is \$300,000 and the maximum aggregate claims cost is \$1,810,207.88. For 2005, the retrospective rating minimum premium due from the City is \$262,263.23, a considerable savings from the experience rated premium of \$905,103.94.

NOTE 15 - RISK MANAGEMENT (CONTINUED)

The City's Workers' Compensation Internal Service Fund pays for all claims, claim reserves and administrative costs of the program. The Workers' Compensation Internal Service Fund is allocated investment revenue based on City Ordinance. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year.

	2003		2004		2005	
	Workers'		Workers'		Workers'	
	Self-Insurance	Compensation	Self-Insurance	Compensation	Self-Insurance	Compensation
Unpaid claims-January 1	\$ 390,284	\$ 1,273,279	\$ 633,945	\$ 1,267,758	\$ 693,801	\$ 1,426,570
Incurred claims (including IBNRs)	5,004,272	70,181	5,330,474	571,686	5,221,363	111,660
Claim payments made during the year	(4,760,611)	(75,702)	(5,270,618)	(412,874)	(4,844,941)	(389,894)
Unpaid claims-December 31, 2005	\$ 633,945	\$ 1,267,758	\$ 693,801	\$ 1,426,570	\$ 1,070,223	\$ 1,148,336

NOTE 16 - INVESTMENTS IN JOINT VENTURES

A. Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1)

The City's Electric Enterprise Fund participates in a joint venture agreement with 20 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. The electric generating facilities of OMEGA JV1, known as the Engle Units, are located in the City. Title to these six diesel-powered generating units was transferred to the 21 municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's 85 municipal electric systems. Each member has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The City's net investment and its share of the operating results of OMEGA JV-1 are reported in the City's statement of net assets as "investment in joint ventures". The city's equity interest in OMEGA JV-1 was \$95,866 at 12/31/05. Complete financial statements fro OMEGA JV-1 can be obtained from AMP-Ohio or from the City's Finance Director.

B. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV-2)

The City of Cuyahoga Falls is a Financing Participant and an Owner Participant with percentages of liability and ownership of 9.52% and 7.46% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating &

City of Cuyahoga Falls, Ohio

NOTE 16 - INVESTMENTS IN JOINT VENTURES (CONTINUED)

Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 the City of Cuyahoga Falls has not met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2005 was \$3,399,609 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$3,310,178 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us

C. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5)

The City of Cuyahoga Falls is a Financing Participant with an ownership percentage of 16.67%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Cuyahoga Falls has not met their debt coverage obligation.

NOTE 16 - INVESTMENTS IN JOINT VENTURES (CONTINUED)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting

JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$1,547,306 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

D. Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV-6)

The City of Cuyahoga Falls is a Financing Participant with an ownership percentage of 25.00% and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation)

Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with it Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green, Ohio. Each turbine has a normal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses. (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage

City of Cuyahoga Falls, Ohio

NOTE 16 - INVESTMENTS IN JOINT VENTURES (CONTINUED)

ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Cuyahoga Falls has not met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 project. The City's net obligation for these bonds at December 31, 2005 was \$1,993,344 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$2,203,252 at December 31, 2005. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 17 – ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Expenditures Exceeding Appropriations

Section 5705.41 (B), Ohio Revised Code, states that no subdivision shall make any expenditure of money unless it has been appropriated. Section 5705.41 (D), Ohio Revised Code, states in part that encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than total appropriations. The following funds have expenditures plus encumbrances in excess of appropriations.

	<u>Final Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
<u>Special Revenue Funds</u>			
Municipal Income Tax	\$ 17,469,480	\$ 17,901,431	\$ (431,951)
Federal Law Enforcement	6,650	6,850	(200)

Appropriations Exceeding Estimated Resources

The following funds had appropriations exceeding estimated resources contrary to Ohio Revised Code Section 5705.39.

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Final Budget</u>			
Special Revenue:			
Community Development Block Grant	\$ 939,328	\$ 1,202,354	\$ (263,026)

NOTE 18 – CONSTRUCTION COMMITMENTS

As of December 31, 2005, the City had the following significant commitments with respect to projects requiring capital expenditures:

<u>Capital Project</u>	2005 Remaining Construction <u>Contract</u>	Expected Date of Completion <u>Completion</u>
Electric Line Expansion into Ward 8	\$ 878,483	2006
Fire Station Number 5	3,236,280	2006
Substation 13 (New) and Substation 2 (Upgrade)	556,161	2006
Woodridge Sanitary Sewer-Final Phase	1,147,911	2006
2 nd Street/Vincent Sanitary and Storm Sewers	<u>475,786</u>	<u>2006</u>
 Total Capital Projects	 <u>\$ 6,294,621</u>	

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPALS

For fiscal year 2005, the City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 5. The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the City.

**COMBINING STATEMENTS AND
INDIVIDUAL FUND STATEMENTS**

Major Governmental Funds

General Fund

To account for all financial resources except those required to be accounted for in another fund.

Municipal Income Tax

To account for income tax revenue and the expenses of the administration of the income tax. After operating expenses are deducted, allocation is made to the General Fund, Recreation Levy Fund and Capital Projects Fund at a rate of 62.67 percent, 8 percent, and 29.33 percent, respectively.

Capital Projects

To account for income tax revenue which must be used to fund capital projects in accordance with local law.

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 9,414,870	\$ 9,448,370	\$ 9,481,503	\$ 33,133
Other local taxes	242,275	242,275	140,455	(101,820)
State levied shared taxes	4,603,621	4,626,318	4,687,044	60,726
Intergovernmental	204,100	204,100	208,880	4,780
Charges for services	5,469,858	5,113,408	5,564,194	450,786
Fees, licenses, and permits	428,775	345,925	397,894	51,969
Fines and forfeitures	252,000	252,000	365,397	113,397
Special assessments	13,130	13,130	13,587	457
Other	253,425	235,425	303,872	68,447
Total Revenues	20,882,054	20,480,951	21,162,826	681,875
Expenditures				
Current				
Security of persons and property				
Building				
Personal services	418,711	453,661	453,627	34
Other operations	56,263	139,403	144,071	(4,668)
Capital outlay	44,792	42,902	38,098	4,804
Total - Building	519,766	635,966	635,796	170
Police				
Personal services	8,235,169	8,115,169	8,039,723	75,446
Other operations	1,048,490	1,168,490	1,129,028	39,462
Capital outlay	135,750	135,750	135,189	561
Total - Police	9,419,409	9,419,409	9,303,940	115,469
Fire				
Personal services	6,626,260	6,526,260	6,446,518	79,742
Other operations	732,838	732,538	697,308	35,230
Capital outlay	42,800	43,100	43,070	30
Total - Fire	7,401,898	7,301,898	7,186,896	115,002
Technical services				
Personal services	594,397	487,747	477,620	10,127
Other operations	10,148	116,798	101,920	14,878
Capital outlay	6,225	6,225	6,225	-
Total - Technical services	610,770	610,770	585,765	25,005
Police reserve				
Other operations	5,599	5,599	5,262	337
Total - Police reserve	5,599	5,599	5,262	337
DARE program				
Other operations	5,331	5,331	3,278	2,053
Total - DARE program	5,331	5,331	3,278	2,053
Total - Security of persons and property	17,962,773	17,978,973	17,720,937	258,036
Leisure time activities				
Parks & recreation				
Personal services	1,790,654	1,785,654	1,693,445	92,209
Other operations	632,391	637,391	604,510	32,881
Capital outlay	18,000	18,000	17,997	3
Total - Leisure time activities	2,441,045	2,441,045	2,315,952	125,093

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For the Year Ended December 31, 2005**

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community environment				
Riverfront Centre District				
Personal services	\$ 303,896	\$ 306,146	\$ 269,226	\$ 36,920
Other operations	191,568	218,269	187,354	30,915
Capital outlay	7,500	7,550	7,528	22
Total - Riverfront Centre District	502,964	531,965	464,108	67,857
Community / economic development				
Personal services	713,981	713,981	648,163	65,818
Other operations	390,978	390,978	373,920	17,058
Capital outlay	11,000	11,000	10,597	403
Total - Community / economic development	1,115,959	1,115,959	1,032,680	83,279
Community gardens				
Other operations	300	300	-	300
Total - Community environment	1,619,223	1,648,224	1,496,788	151,436
General government				
General administration				
Other operations	828,211	822,211	814,700	7,511
Total - General government	828,211	822,211	814,700	7,511
Council				
Personal services	217,374	209,374	208,858	516
Other operations	4,422	4,422	13,161	(8,739)
Capital outlay	9,847	9,847	-	9,847
Total - Council	231,643	223,643	222,019	1,624
Mayor				
Personal services	187,373	187,373	181,298	6,075
Other operations	20,351	20,301	13,543	6,758
Capital outlay	21,000	21,050	21,045	5
Total - Mayor	228,724	228,724	215,886	12,838
Finance director				
Personal services	687,858	683,858	656,864	26,994
Other operations	187,867	191,867	191,500	367
Total - Finance director	875,725	875,725	848,364	27,361
Law director				
Personal services	776,996	776,996	759,148	17,848
Other operations	464,739	289,739	223,000	66,739
Total - Law director	1,241,735	1,066,735	982,148	84,587
Service director				
Personal services	257,131	257,131	254,419	2,712
Other operations	16,553	16,553	14,091	2,462
Total - Service director	273,684	273,684	268,510	5,174
Municipal court				
Personal services	1,346,000	1,146,000	1,096,122	49,878
Other operations	124,032	124,032	52,643	71,389
Total - Municipal court	1,470,032	1,270,032	1,148,765	121,267
Clerk of courts				
Personal services	1,212,751	1,207,251	1,181,790	25,461
Other operations	93,766	99,266	100,714	(1,448)
Total - Clerk of courts	1,306,517	1,306,517	1,282,504	24,013

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund For the Year Ended December 31, 2005

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Civil service commission				
Personal services	\$ 21,391	\$ 21,391	\$ 21,390	\$ 1
Other operations	33,004	33,004	27,083	5,921
Total - Civil service commission	54,395	54,395	48,473	5,922
Engineering				
Personal services	931,865	886,665	875,539	11,126
Other operations	119,067	129,067	123,747	5,320
Capital outlay	6,275	6,275	-	6,275
Total - Engineering	1,057,207	1,022,007	999,286	22,721
Human resources / records				
Personal services	268,643	268,643	266,278	2,365
Other operations	33,848	33,848	32,252	1,596
Capital outlay	6,799	6,799	6,799	-
Total - Human resources / records	309,290	309,290	305,329	3,961
Print shop				
Personal services	26,712	26,712	22,794	3,918
Other operations	79,233	79,233	68,841	10,392
Total - Print shop	105,945	105,945	91,635	14,310
Building and grounds maintenance				
Personal services	898,288	888,288	788,241	100,047
Other operations	309,450	313,350	281,354	31,996
Capital outlay	-	6,100	6,048	52
Total - Building and grounds maintenance	1,207,738	1,207,738	1,075,643	132,095
Total - General government	9,190,846	8,766,646	8,303,262	463,384
Total Expenditures	31,213,887	30,834,888	29,836,939	997,949
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(10,331,833)	(10,353,937)	(8,674,113)	1,679,824
Other Financing Sources (Uses)				
Transfers in	12,087,002	12,087,002	12,580,546	493,544
Transfers out	(4,121,475)	(4,129,395)	(4,208,272)	(78,877)
Total Other Financing Sources (Uses)	7,965,527	7,957,607	8,372,274	414,667
Net change in fund balances	(2,366,306)	(2,396,330)	(301,839)	2,094,491
Fund Balance at Beginning of Year	2,945,382	2,945,382	2,945,382	-
Prior year encumbrances appropriated	652,896	652,896	652,896	-
Fund Balance at End of Year	\$ 1,231,972	\$ 1,201,948	\$ 3,296,439	\$ 2,094,491

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Municipal Income Tax Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal income taxes	\$ 17,444,030	\$ 17,794,030	\$ 17,814,578	\$ 20,548
Total revenues	17,444,030	17,794,030	17,814,578	20,548
Expenditures				
Current				
General government				
Personal services	367,128	362,528	343,695	18,833
Other operations	687,797	687,796	663,136	24,660
Capital outlay	-	4,600	4,600	-
Total expenditures	1,054,925	1,054,924	1,011,431	43,493
Excess (deficiency) of revenues over (under) expenditures	16,389,105	16,739,106	16,803,147	64,041
Other Financing Sources (Uses)				
Transfers out	(16,414,556)	(16,414,556)	(16,890,000)	(475,444)
Total other financing sources (uses)	(16,414,556)	(16,414,556)	(16,890,000)	(475,444)
Net change in fund balances	(25,451)	324,550	(86,853)	(411,403)
Fund balance at beginning of year	74,106	74,106	74,106	-
Prior year encumbrances appropriated	15,451	15,451	15,451	-
Fund balance at end of year	<u>\$ 64,106</u>	<u>\$ 414,107</u>	<u>\$ 2,704</u>	<u>\$ (411,403)</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Capital Projects Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 192,000	\$ 306,800	\$ 306,715	\$ (85)
Charges for services	1,255,000	1,388,500	1,394,189	5,689
Special assessments	100,000	105,500	105,516	16
Other	230,000	257,200	257,416	216
Total revenues	1,777,000	2,058,000	2,063,836	5,836
Expenditures				
Current				
Capital outlay	10,246,577	9,246,577	7,635,443	1,611,134
Debt service				
Principal	7,512,860	7,512,860	7,512,860	-
Interest	268,034	268,034	231,033	37,001
Total expenditures	18,027,471	17,027,471	15,379,336	1,648,135
Excess (deficiency) of revenues over (under) expenditures	(16,250,471)	(14,969,471)	(13,315,500)	1,653,971
Other Financing Sources (Uses)				
Bond/note proceeds	9,217,500	9,217,500	6,744,759	(2,472,741)
Transfers in	4,814,389	4,814,389	4,999,280	184,891
Transfers out	(100,000)	(360,684)	(360,684)	-
Total other financing sources (uses)	13,931,889	13,671,205	11,383,355	(2,287,850)
Net change in fund balances	(2,318,582)	(1,298,266)	(1,932,145)	(633,879)
Fund balance at beginning of year	3,520,967	3,520,967	3,520,967	-
Prior year encumbrances appropriated	1,171,442	1,171,442	1,171,442	-
Fund balance at end of year	\$ 2,373,827	\$ 3,394,143	\$ 2,760,264	\$ (633,879)

Nonmajor Governmental Funds

Special Revenue Funds	To account for specific revenues that are legally restricted to expenditure for particular purposes.
State Highway Improvement	Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees for maintenance of state highways within the City.
Street Construction, Maintenance and Repair	Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees for maintenance of streets within the City.
Police Pension	To accumulate property taxes and other monies for the payment of the current and accrued liability for police disability and pension benefits.
Fire Pension	To accumulate property taxes and other monies for the payment of the current and accrued liability for fire disability and pension benefits.
Recreation Levy	To account for income tax collections received from the Municipal Income Tax Fund. The revenue must be used for improvements made by the Parks and Recreation Department.
Permissive Tax	Required by the Ohio Revised Code to account for local vehicle license fees designated for the maintenance of streets within the City. These funds are controlled by the county and limited to non-residential connector streets.
Court Special Projects	To account for fees to acquire and pay for projects to ensure efficient operation of the Municipal Court.
Community and Economic Development	To account for monies received from the sale of City-owned properties in an urban renewal area.
Community Development Block Grant	To account for monies passed through Summit County from the federal government under the Community Development Block Grant Program which are restricted for City-wide development projects such as the Housing Rehabilitation Program and Economic Development Revolving Loan Program.
Probation	To account for fees received from Municipal Court probationers to offset the cost of probation services.
Enterprise Zone/Community Reinvestment Area	To account for fees collected from enterprises receiving a tax incentive through an enterprise zone agreement for the purpose of administering and monitoring the Enterprise Zone Agreement.
Suspended License Intervention Program	To account for fees received from individuals who are charged with certain driver's license violations that come before the Municipal Court to offset the cost of services to educate these violators in complying with applicable laws.

Nonmajor Governmental Funds (Continued)

Drug Law Enforcement	To account for fines received by the City that are restricted under the Ohio Revised Code to subsidize law enforcement efforts that pertain to drug offenses.
Law Enforcement Trust	To account for proceeds from the sale of contraband that are restricted to subsidizing law enforcement efforts.
Indigent Drivers Alcohol Treatment	To account for proceeds realized from fines to pay the cost of an alcohol and drug addiction treatment program attended by an offender who is ordered to attend such a program by a county or municipal court judge and who is determined by such county or municipal court judge not to have the means to pay for his attendance at such program.
Enforcement and Education	To account for proceeds realized from fines to pay only those costs incurred in enforcing Section 4511.19 of the Ohio Revised Code or a substantially similar municipal ordinance and in educating the public of laws governing the operation of a motor vehicle and the dangers of operation of a motor vehicle while under the influence of alcohol and other information relating to the operation of a motor vehicle and the consumption of alcoholic beverages.
Municipal Motor Vehicle License Tax	Required by the Ohio Revised Code to account for local vehicle license fees designated for the maintenance of certain streets within the City.
Court Computer	To account for the portion of court costs received by the City for the computerization and use of Computerized Legal Research for the operations of the Cuyahoga Falls Municipal Court.
Federal Law Enforcement	To account for the subsidy received by the Police Department for its efforts pertaining to (1) complex investigations/prosecutions by the City's Police/Law Departments; (2) provision of technical training or expertise of a law enforcement nature for Police Department members; (3) provision of matching funds to obtain federal grants; and (4) for such other law enforcement purposes that are deemed appropriate.
FEMA Public Assistance	To account for FEMA Public Assistance Grant Funding relating to storm damage.
Debt Service Fund	To account for the accumulation of resources for and payment of general obligation principal, interest, and related expenditures.

Nonmajor Governmental Funds (Continued)

Capital Improvement Reserve

To account for interest income which must be used to fund capital projects in accordance with local law and to account for interfund charges for the use of City-owned oil and gas wells.

Storm Drainage Utility Fund

To account for monies received for the storm sewer infrastructure repair and upgrade. These monies will be used to construct, equip, operate, repair, improve, extend and maintain open drainage ways, underground storm drains, equipment and appurtenances necessary. Also used for improvements and maintenance of the drainage systems.

Cemetery Perpetual Care Permanent Fund

To account for monies received for the perpetual care of cemetery lots. The amounts received are held as a permanent fund, and the interest received on the invested monies is available for care of the cemetery lots.

City of Cuyahoga Falls, Ohio

Combining Balance Sheet - Nonmajor Governmental Funds December 31, 2005

	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Capital Projects Funds	Cemetery Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 2,515,348	\$ -	\$ 1,969,843	\$ -	\$ 4,485,191
Cash and cash equivalents - restricted	-	54,071	-	103,584	157,655
Investments - restricted accounts	-	12,000	-	95,000	107,000
Receivables					
Taxes	588,786	-	-	-	588,786
Accounts (net of allowance for uncollectibles)	113,578	-	68,118	-	181,696
Loans	1,935,755	-	-	-	1,935,755
Special assessments	-	354,677	656,982	-	1,011,659
Accrued interest	-	87	20,139	335	20,561
Due from other funds	372,558	-	3,955	7,530	384,043
Due from other governments	929,317	-	481	-	929,798
Inventory of supplies	369,858	-	-	-	369,858
Prepaid items	26,531	-	396	-	26,927
Advances to other funds	-	-	214,316	-	214,316
Total assets	6,851,731	420,835	2,934,230	206,449	10,413,245
Liabilities and Fund Balances					
Liabilities					
Accounts payable	267,094	-	112,659	-	379,753
Accrued salaries, wages and benefits	36,361	-	675	-	37,036
Deferred revenue	1,082,276	354,750	656,982	325	2,094,333
Due to other funds	62,787	-	1,842	-	64,629
Due to other governments	42,208	-	102	-	42,310
Total liabilities	1,490,726	354,750	772,260	325	2,618,061
Fund Balances					
Reserved for encumbrances	116,938	-	370,990	-	487,928
Reserved for prepaid items	26,531	-	396	-	26,927
Reserved for advances	-	-	214,316	-	214,316
Reserved for inventory of supplies	369,858	-	-	-	369,858
Reserved for loans receivable	1,935,755	-	-	-	1,935,755
Reserved for debt service	-	66,085	-	-	66,085
Reserved for cemetery perpetual care	-	-	-	206,124	206,124
Unreserved - undesignated	2,911,923	-	1,576,268	-	4,488,191
Total fund balances	5,361,005	66,085	2,161,970	206,124	7,795,184
Total liabilities and fund balances	\$ 6,851,731	\$ 420,835	\$ 2,934,230	\$ 206,449	\$ 10,413,245

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended December 31, 2005**

	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Capital Projects Funds	Cemetery Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ 547,012	\$ -	\$ -	\$ -	\$ 547,012
Other local taxes	238	-	-	-	238
State levied shared taxes	2,158,785	-	-	-	2,158,785
Intergovernmental	634,041	-	-	-	634,041
Charges for services	147,163	-	709,098	14,420	870,681
Fees, licenses and permits	848,791	-	-	-	848,791
Interest earnings	2,051	11,992	1,528,802	4,159	1,547,004
Fines and forfeitures	82,531	-	-	-	82,531
Special assessments	-	89,733	104,004	-	193,737
Other	17,281	-	100,883	-	118,164
Total revenues	<u>4,437,893</u>	<u>101,725</u>	<u>2,442,787</u>	<u>18,579</u>	<u>7,000,984</u>
Expenditures					
Current					
Security of persons and property	2,308,035	-	-	-	2,308,035
Leisure time activities	436,110	-	-	-	436,110
Community environment	621,830	-	-	-	621,830
Street maintenance	4,478,915	-	-	-	4,478,915
General government	143,055	-	25,119	4,144	172,318
Capital outlay	458,965	-	472,924	-	931,889
Debt Service					
Principal	261,290	623,856	-	-	885,146
Interest	227,988	228,069	-	-	456,057
Total expenditures	<u>8,936,188</u>	<u>851,925</u>	<u>498,043</u>	<u>4,144</u>	<u>10,290,300</u>
Excess (deficiency) of revenues over (under) expenditures	(4,498,295)	(750,200)	1,944,744	14,435	(3,289,316)
Other Financing Sources (Uses)					
Transfers in	5,076,565	760,000	-	-	5,836,565
Transfers out	(560,000)	-	(2,875,000)	-	(3,435,000)
Total other financing sources (uses)	<u>4,516,565</u>	<u>760,000</u>	<u>(2,875,000)</u>	<u>-</u>	<u>2,401,565</u>
Net change in fund balances	18,270	9,800	(930,256)	14,435	(887,751)
Fund balance at beginning of year,	5,182,936	56,285	3,091,830	191,689	8,522,740
Change in reserve for inventory	159,053	-	-	-	159,053
Change in reserve for prepaid items	746	-	396	-	1,142
Fund balance at end of year	<u>\$ 5,361,005</u>	<u>\$ 66,085</u>	<u>\$ 2,161,970</u>	<u>\$ 206,124</u>	<u>\$ 7,795,184</u>

City of Cuyahoga Falls, Ohio

Combining Balance Sheet - Nonmajor Special Revenue Funds December 31, 2005

(Continued)

	<u>State Highway Improvement</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Recreation Levy</u>	<u>Permissive Tax</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 6,206	\$ 328,227	\$ 63,290	\$ 13,245	\$ 61,853	\$ 2
Receivables						
Taxes	-	-	294,393	294,393	-	-
Accounts (net of allowance for uncollectibles)	-	113,578	-	-	-	-
Loans	-	-	-	-	-	-
Due from other funds	-	-	-	7,052	365,506	-
Due from other governments	58,618	723,152	16,908	16,908	-	38,168
Inventory of supplies	-	369,858	-	-	-	-
Prepaid items	-	25,339	-	-	-	-
Total assets	<u>64,824</u>	<u>1,560,154</u>	<u>374,591</u>	<u>331,598</u>	<u>427,359</u>	<u>38,170</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	-	147,907	-	-	17,828	-
Accrued salaries, wages and benefits	-	35,573	-	-	-	-
Deferred revenue	34,493	425,419	311,182	311,182	-	-
Due to other funds	-	60,945	-	-	-	-
Due to other governments	-	5,251	16,422	20,416	-	-
Total liabilities	<u>34,493</u>	<u>675,095</u>	<u>327,604</u>	<u>331,598</u>	<u>17,828</u>	<u>-</u>
Fund Balances						
Reserved for encumbrances	-	100,702	-	-	7,294	-
Reserved for prepaid items	-	25,339	-	-	-	-
Reserved for inventory of supplies	-	369,858	-	-	-	-
Reserved for loans receivable	-	-	-	-	-	-
Unreserved - undesignated	30,331	389,160	46,987	-	402,237	38,170
Total fund balances	<u>30,331</u>	<u>885,059</u>	<u>46,987</u>	<u>-</u>	<u>409,531</u>	<u>38,170</u>
Total liabilities and fund balances	<u>\$ 64,824</u>	<u>\$ 1,560,154</u>	<u>\$ 374,591</u>	<u>\$ 331,598</u>	<u>\$ 427,359</u>	<u>\$ 38,170</u>

Combining Balance Sheet - Nonmajor Special Revenue Funds
December 31, 2005

(Continued)

	<u>Court Special Projects</u>	<u>Community and Economic Development</u>	<u>Community Development Block Grant</u>	<u>Probation</u>	<u>Enterprise Zone / Community Reinvestment Area</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 645,038	\$ 2,401	\$ 293,809	\$ 53,986	\$ 8,339
Receivables					
Taxes	-	-	-	-	-
Accounts					
(net of allowance for uncollectibles)	-	-	-	-	-
Loans	-	-	1,935,755	-	-
Due from other funds	-	-	-	-	-
Due from other governments	19,146	-	-	13,043	-
Inventory of supplies	-	-	-	-	-
Prepaid items	-	-	-	-	-
	<u>664,184</u>	<u>2,401</u>	<u>2,229,564</u>	<u>67,029</u>	<u>8,339</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	-	-	96,541	-	-
Accrued salaries, wages and benefits	-	-	788	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	1,842	-	-
Due to other governments	-	-	119	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>99,290</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved for encumbrances	-	-	3,932	-	-
Reserved for prepaid items	-	-	-	-	-
Reserved for inventory of supplies	-	-	-	-	-
Reserved for loans receivable	-	-	1,935,755	-	-
Unreserved - undesignated	664,184	2,401	190,587	67,029	8,339
Total fund balances	<u>664,184</u>	<u>2,401</u>	<u>2,130,274</u>	<u>67,029</u>	<u>8,339</u>
	<u>\$ 664,184</u>	<u>\$ 2,401</u>	<u>\$ 2,229,564</u>	<u>\$ 67,029</u>	<u>\$ 8,339</u>

City of Cuyahoga Falls, Ohio

Combining Balance Sheet - Nonmajor Special Revenue Funds December 31, 2005

(Continued)

	Suspended License Intervention Program	Drug Law Enforcement	Law Enforcement Trust	Indigent Drivers Alcohol Treatment	Enforcement and Education
ASSETS					
Equity in pooled cash and cash equivalents	\$ 29,028	\$ 76,047	\$ 60,998	\$ 588,377	\$ 24,587
Receivables					
Taxes	-	-	-	-	-
Accounts (net of allowance for uncollectibles)	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	1,700	1,500	364	18,493	1,748
Inventory of supplies	-	-	-	-	-
Prepaid items	-	1,192	-	-	-
	<u>30,728</u>	<u>78,739</u>	<u>61,362</u>	<u>606,870</u>	<u>26,335</u>
Total assets					
	<u>30,728</u>	<u>78,739</u>	<u>61,362</u>	<u>606,870</u>	<u>26,335</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	-	28	-	-	-
Accrued salaries, wages and benefits	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>-</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved for encumbrances	-	525	-	-	-
Reserved for prepaid items	-	1,192	-	-	-
Reserved for inventory of supplies	-	-	-	-	-
Reserved for loans receivable	-	-	-	-	-
Unreserved - undesignated	30,728	76,994	61,362	606,870	26,335
Total fund balances	<u>30,728</u>	<u>78,711</u>	<u>61,362</u>	<u>606,870</u>	<u>26,335</u>
Total liabilities and fund balances	<u>\$ 30,728</u>	<u>\$ 78,739</u>	<u>\$ 61,362</u>	<u>\$ 606,870</u>	<u>\$ 26,335</u>

City of Cuyahoga Falls, Ohio

Combining Balance Sheet - Nonmajor Special Revenue Funds
December 31, 2005

(Continued)

	Municipal Motor Vehicle License Tax	Court Computer	Federal Law Enforcement	Total Nonmajor Special Revenue Funds
ASSETS				
Equity in pooled cash and cash equivalents	\$ 9	\$ 190,750	\$ 69,156	\$ 2,515,348
Receivables				
Taxes	-	-	-	588,786
Accounts (net of allowance for uncollectibles)	-	-	-	113,578
Loans	-	-	-	1,935,755
Due from other funds	-	-	-	372,558
Due from other governments	8,986	10,583	-	929,317
Inventory of supplies	-	-	-	369,858
Prepaid items	-	-	-	26,531
Total assets	8,995	201,333	69,156	6,851,731
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	4,790	-	267,094
Accrued salaries, wages and benefits	-	-	-	36,361
Deferred revenue	-	-	-	1,082,276
Due to other funds	-	-	-	62,787
Due to other governments	-	-	-	42,208
Total liabilities	-	4,790	-	1,490,726
Fund Balances				
Reserved for encumbrances	-	2,853	1,632	116,938
Reserved for prepaid items	-	-	-	26,531
Reserved for inventory of supplies	-	-	-	369,858
Reserved for loans receivable	-	-	-	1,935,755
Unreserved - undesignated	8,995	193,690	67,524	2,911,923
Total fund balances	8,995	196,543	69,156	5,361,005
Total liabilities and fund balances	\$ 8,995	\$ 201,333	\$ 69,156	\$ 6,851,731

City of Cuyahoga Falls, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds For the Year Ended December 31, 2005

(Continued)

	State Highway Improvement	Street Construction, Maintenance and Repair	Police Pension	Fire Pension	Recreation Levy	Permissive Tax
Revenues						
Property taxes	\$ -	\$ -	\$ 273,506	\$ 273,506	\$ -	\$ -
Other local taxes	-	-	119	119	-	-
State levied shared taxes	131,642	1,626,114	33,434	33,434	-	216,127
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fees, licenses, and permits	-	467,272	-	-	-	-
Interest earnings	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Other	-	5,721	-	-	1,066	-
Total revenues	<u>131,642</u>	<u>2,099,107</u>	<u>307,059</u>	<u>307,059</u>	<u>1,066</u>	<u>216,127</u>
Expenditures						
Current						
Security of persons and property	-	-	1,009,240	1,247,510	-	-
Leisure time activities	-	-	-	-	436,110	-
Community environment	-	-	-	-	-	-
Street maintenance	94,253	4,274,912	-	-	-	-
General government	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	458,965
Debt service						
Principal	-	-	-	-	261,290	-
Interest	-	-	-	-	227,988	-
Total expenditures	<u>94,253</u>	<u>4,274,912</u>	<u>1,009,240</u>	<u>1,247,510</u>	<u>925,388</u>	<u>458,965</u>
Excess (deficiency) of revenues over (under) expenditures	37,389	(2,175,805)	(702,181)	(940,451)	(924,322)	(242,838)
Other Financing Sources (Uses)						
Transfers in	-	2,114,999	749,168	940,451	1,271,947	-
Transfers out	-	-	-	-	(500,000)	-
Total other financing sources (uses)	<u>-</u>	<u>2,114,999</u>	<u>749,168</u>	<u>940,451</u>	<u>771,947</u>	<u>-</u>
Net change in fund balances	37,389	(60,806)	46,987	-	(152,375)	(242,838)
Fund balance at beginning of year	(7,058)	785,787	-	-	561,906	281,008
Change in reserve for inventory	-	159,053	-	-	-	-
Change in reserve for prepaid items	-	1,025	-	-	-	-
Fund balance at end of year	<u>\$ 30,331</u>	<u>\$ 885,059</u>	<u>\$ 46,987</u>	<u>\$ -</u>	<u>\$ 409,531</u>	<u>\$ 38,170</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund
Balances - Special Revenue Funds
For the Year Ended December 31, 2005**

(Continued)

	Court Special Projects	Community and Economic Development	Community Development Block Grant	Probation	Enterprise Zone / Community Reinvestment Area
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-
State levied shared taxes	-	-	-	-	-
Intergovernmental	-	-	634,041	-	-
Charges for services	-	-	-	-	-
Fees, licenses, and permits	260,853	-	-	91,184	2,882
Interest earnings	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other	-	-	6,394	-	-
Total revenues	260,853	-	640,435	91,184	2,882
Expenditures					
Current					
Security of persons and property	-	-	-	3,436	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	619,583	-	2,247
Street maintenance	-	-	-	-	-
General government	1,237	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,237	-	619,583	3,436	2,247
Excess (deficiency) of revenues over (under) expenditures	259,616	-	20,852	87,748	635
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(10,000)	-	-	(50,000)	-
Total other financing sources (uses)	(10,000)	-	-	(50,000)	-
Net change in fund balances	249,616	-	20,852	37,748	635
Fund balance at beginning of year	414,568	2,401	2,109,422	29,281	7,704
Change in reserve for inventory	-	-	-	-	-
Change in reserve for prepaid items	-	-	-	-	-
Fund balance at end of year	\$ 664,184	\$ 2,401	\$ 2,130,274	\$ 67,029	\$ 8,339

City of Cuyahoga Falls, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds For the Year Ended December 31, 2005

(Continued)

	Suspended License Intervention Program	Drug Law Enforcement	Law Enforcement Trust	Indigent Drivers Alcohol Treatment	Enforcement and Education
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-
State levied shared taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, licenses, and permits	26,600	-	-	-	-
Interest earnings	-	-	-	-	-
Fines and forfeitures	-	12,951	14,648	48,688	6,244
Other	-	-	-	-	4,100
Total revenues	26,600	12,951	14,648	48,688	10,344
Expenditures					
Current					
Security of persons and property	-	23,007	17,929	-	1,695
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	-
Street maintenance	-	-	-	-	-
General government	1,443	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,443	23,007	17,929	-	1,695
Excess (deficiency) of revenues over (under) expenditures	25,157	(10,056)	(3,281)	48,688	8,649
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	25,157	(10,056)	(3,281)	48,688	8,649
Fund balance at beginning of year	5,571	89,046	64,643	558,182	17,686
Change in reserve for inventory	-	-	-	-	-
Change in reserve for prepaid items	-	(279)	-	-	-
Fund balance at end of year	\$ 30,728	\$ 78,711	\$ 61,362	\$ 606,870	\$ 26,335

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds (Continued)
For the Year Ended December 31, 2005

	Municipal Motor Vehicle License Tax	Court Computer	Federal Law Enforcement	Total Nonmajor Special Revenue
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 547,012
Other local taxes	-	-	-	238
State levied shared taxes	118,034	-	-	2,158,785
Intergovernmental	-	-	-	634,041
Charges for services	-	147,163	-	147,163
Fees, licenses, and permits	-	-	-	848,791
Interest earnings	-	-	2,051	2,051
Fines and forfeitures	-	-	-	82,531
Other	-	-	-	17,281
Total revenues	118,034	147,163	2,051	4,437,893
Expenditures				
Current				
Security of persons and property	-	-	5,218	2,308,035
Leisure time activities	-	-	-	436,110
Community environment	-	-	-	621,830
Street maintenance	109,750	-	-	4,478,915
General government	-	140,375	-	143,055
Capital outlay	-	-	-	458,965
Debt service				
Principal	-	-	-	261,290
Interest	-	-	-	227,988
Total expenditures	109,750	140,375	5,218	8,936,188
Excess (deficiency) of revenues over (under) expenditures	8,284	6,788	(3,167)	(4,498,295)
Other Financing Sources (Uses)				
Transfers in	-	-	-	5,076,565
Transfers out	-	-	-	(560,000)
Total other financing sources (uses)	-	-	-	4,516,565
Net change in fund balances	8,284	6,788	(3,167)	18,270
Fund balance at beginning of year	711	189,755	72,323	5,182,936
Change in reserve for inventory	-	-	-	159,053
Change in reserve for prepaid items	-	-	-	746
Fund balance at end of year	\$ 8,995	\$ 196,543	\$ 69,156	\$ 5,361,005

City of Cuyahoga Falls, Ohio

Combining Balance Sheet - Nonmajor Capital Projects Funds December 31, 2005

	Capital Improvement Reserve	Storm Drainage Utility	Total Nonmajor Capital Projects Funds
Assets			
Equity in pooled cash and cash equivalents	\$ 1,369,868	\$ 599,975	\$ 1,969,843
Receivables			
Accounts			
(net of allowance for uncollectibles)	14,053	54,065	68,118
Special assessments	651,636	5,346	656,982
Accrued interest	20,139	-	20,139
Due from other funds	-	3,955	3,955
Due from other governments	481	-	481
Prepaid items	-	396	396
Advances to other funds	214,316	-	214,316
	<u>2,270,493</u>	<u>663,737</u>	<u>2,934,230</u>
Total assets			
	<u>2,270,493</u>	<u>663,737</u>	<u>2,934,230</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	25,096	87,563	112,659
Accrued salaries, wages and benefits	-	675	675
Deferred revenue	651,636	5,346	656,982
Due to other funds	-	1,842	1,842
Due to other governments	-	102	102
Total liabilities	<u>676,732</u>	<u>95,528</u>	<u>772,260</u>
Fund Balances			
Reserved for encumbrances	-	370,990	370,990
Reserved for prepaid items	-	396	396
Reserved for advances	214,316	-	214,316
Unreserved - undesignated	1,379,445	196,823	1,576,268
Total fund balances	<u>1,593,761</u>	<u>568,209</u>	<u>2,161,970</u>
Total liabilities and fund balances	<u>\$ 2,270,493</u>	<u>\$ 663,737</u>	<u>\$ 2,934,230</u>

**Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Capital Improvement Reserve	Storm Drainage Utility	Total Nonmajor Capital Projects Funds
Revenues			
Charges for services	\$ -	\$ 709,098	\$ 709,098
Interest earnings	1,528,802	-	1,528,802
Special assessments	104,004	-	104,004
Other	100,883	-	100,883
Total revenues	<u>1,733,689</u>	<u>709,098</u>	<u>2,442,787</u>
Expenditures			
Current			
General government	25,119	-	25,119
Capital outlay	-	472,924	472,924
Total expenditures	<u>25,119</u>	<u>472,924</u>	<u>498,043</u>
Excess (deficiency) of revenues over (under) expenditures	1,708,570	236,174	1,944,744
Other Financing Sources (Uses)			
Transfers out	<u>(2,875,000)</u>	<u>-</u>	<u>(2,875,000)</u>
Total other financing sources (uses)	<u>(2,875,000)</u>	<u>-</u>	<u>(2,875,000)</u>
Net change in fund balances	(1,166,430)	236,174	(930,256)
Fund balance at beginning of year	2,760,191	331,639	3,091,830
Change in reserve for prepaid items	-	396	396
Fund balance at end of year	<u>\$ 1,593,761</u>	<u>\$ 568,209</u>	<u>\$ 2,161,970</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - State Highway Improvement Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State levied shared taxes	\$ 125,700	\$ 125,700	\$ 128,851	\$ 3,151
Total revenues	125,700	125,700	128,851	3,151
Expenditures				
Current				
Street maintenance				
Other operations	126,000	126,000	126,000	-
Total expenditures	126,000	126,000	126,000	-
Excess (deficiency) of revenues over (under) expenditures	(300)	(300)	2,851	3,151
Net change in fund balances	(300)	(300)	2,851	3,151
Fund balance at beginning of year	3,355	3,355	3,355	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 3,055	\$ 3,055	\$ 6,206	\$ 3,151

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Street Construction, Maintenance and
Repair Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State levied shared taxes	\$ 1,584,500	\$ 1,589,500	\$ 1,591,424	\$ 1,924
Fees, licenses, and permits	426,000	463,000	463,148	148
Other	8,000	8,000	6,398	(1,602)
Total revenues	<u>2,018,500</u>	<u>2,060,500</u>	<u>2,060,970</u>	<u>470</u>
Expenditures				
Current				
Street maintenance				
Personal services	2,447,933	2,348,933	2,347,839	1,094
Other operations	1,692,187	2,076,187	2,058,421	17,766
Capital outlay	52,000	58,600	58,525	75
Total expenditures	<u>4,192,120</u>	<u>4,483,720</u>	<u>4,464,785</u>	<u>18,935</u>
Excess (deficiency) of revenues over (under) expenditures	(2,173,620)	(2,423,220)	(2,403,815)	19,405
Other Financing Sources (Uses)				
Transfers in	1,900,000	2,158,650	2,158,653	3
Total other financing sources (uses)	<u>1,900,000</u>	<u>2,158,650</u>	<u>2,158,653</u>	<u>3</u>
Net change in fund balances	(273,620)	(264,570)	(245,162)	19,408
Fund balance at beginning of year	211,967	211,967	211,967	-
Prior year encumbrances appropriated	126,843	126,843	126,843	-
Fund balance at end of year	<u>\$ 65,190</u>	<u>\$ 74,240</u>	<u>\$ 93,648</u>	<u>\$ 19,408</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Police Pension Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 271,584	\$ 271,584	\$ 273,506	\$ 1,922
Other local taxes	145	145	127	(18)
State levied shared taxes	33,577	33,577	33,434	(143)
Total revenues	305,306	305,306	307,067	1,761
Expenditures				
Current				
Security of persons and property				
Personal services	1,054,662	1,054,662	1,002,232	52,430
Other operations	4,200	4,200	4,068	132
Total expenditures	1,058,862	1,058,862	1,006,300	52,562
Excess (deficiency) of revenues over (under) expenditures	(753,556)	(753,556)	(699,233)	54,323
Other Financing Sources (Uses)				
Transfers in	754,000	754,000	754,000	-
Total other financing sources (uses)	754,000	754,000	754,000	-
Net change in fund balances	444	444	54,767	54,323
Fund balance at beginning of year	8,523	8,523	8,523	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 8,967	\$ 8,967	\$ 63,290	\$ 54,323

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Fire Pension Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 271,584	\$ 271,584	\$ 273,506	\$ 1,922
Other local taxes	145	145	127	(18)
State levied shared taxes	33,577	33,577	33,434	(143)
Total revenues	<u>305,306</u>	<u>305,306</u>	<u>307,067</u>	<u>1,761</u>
Expenditures				
Current				
Security of persons and property				
Personal services	1,290,242	1,290,242	1,242,475	47,767
Other operations	4,200	4,200	4,068	132
Total expenditures	<u>1,294,442</u>	<u>1,294,442</u>	<u>1,246,543</u>	<u>47,899</u>
Excess (deficiency) of revenues over (under) expenditures	(989,136)	(989,136)	(939,476)	49,660
Other Financing Sources (Uses)				
Transfers in	978,000	978,000	938,286	(39,714)
Total other financing sources (uses)	<u>978,000</u>	<u>978,000</u>	<u>938,286</u>	<u>(39,714)</u>
Net change in fund balances	(11,136)	(11,136)	(1,190)	9,946
Fund balance at beginning of year	14,435	14,435	14,435	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 3,299</u>	<u>\$ 3,299</u>	<u>\$ 13,245</u>	<u>\$ 9,946</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Recreation Levy Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	-	-	1,216	1,216
Total revenues	-	-	1,216	1,216
Expenditures				
Current				
Leisure time activities				
Other operations	211,891	148,891	141,030	7,861
Capital outlay	680,095	310,095	306,259	3,836
Total - leisure time activities	891,986	458,986	447,289	11,697
Debt service				
Principal	261,291	261,291	261,290	1
Interest	227,989	227,989	227,988	1
Total expenditures	1,381,266	948,266	936,567	11,699
Excess (deficiency) of revenues over (under) expenditures	(1,381,266)	(948,266)	(935,351)	12,915
Other Financing Sources (Uses)				
Transfers in	1,313,165	1,338,165	1,351,200	13,035
Transfers out	-	(500,000)	(500,000)	-
Advances out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	1,213,165	738,165	751,200	13,035
Net change in fund balances	(168,101)	(210,101)	(184,151)	25,950
Fund balance at beginning of year	182,791	182,791	182,791	-
Prior year encumbrances appropriated	38,305	38,305	38,305	-
Fund balance at end of year	\$ 52,995	\$ 10,995	\$ 36,945	\$ 25,950

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Permissive Tax Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State levied shared taxes	\$ 484,000	\$ 464,000	\$ 458,965	\$ (5,035)
Total revenues	484,000	464,000	458,965	(5,035)
Expenditures				
Current				
Capital outlay	220,000	458,965	458,965	-
Total expenditures	220,000	458,965	458,965	-
Excess (deficiency) of revenues over (under) expenditures	264,000	5,035	-	(5,035)
Net change in fund balances	264,000	5,035	-	(5,035)
Fund balance at beginning of year	2	2	2	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 264,002</u>	<u>\$ 5,037</u>	<u>\$ 2</u>	<u>\$ (5,035)</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Court Special Projects Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, licenses, and permits	\$ 240,000	\$ 260,000	\$ 262,803	\$ 2,803
Total revenues	240,000	260,000	262,803	2,803
Expenditures				
Current				
General government				
Other operations	580,000	570,000	1,237	568,763
Capital outlay	20,000	20,000	-	20,000
Total expenditures	600,000	590,000	1,237	588,763
Excess (deficiency) of revenues over (under) expenditures	(360,000)	(330,000)	261,566	591,566
Other Financing Sources (Uses)				
Transfers out	-	(10,000)	(10,000)	-
Total other financing sources (uses)	-	(10,000)	(10,000)	-
Net change in fund balances	(360,000)	(340,000)	251,566	591,566
Fund balance at beginning of year	393,472	393,472	393,472	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 33,472	\$ 53,472	\$ 645,038	\$ 591,566

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis) - Community and Economic
 Development Fund
 For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance at beginning of year	2,401	2,401	2,401	-
Prior year encumbrances appropriated	-	-	-	-
<hr/>				
Fund balance at end of year	<u>\$ 2,401</u>	<u>\$ 2,401</u>	<u>\$ 2,401</u>	<u>\$ -</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Community Development Block Grant Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,087,854	\$ 637,854	\$ 634,041	(3,813)
Other	30,000	116,000	116,169	169
Total revenues	1,117,854	753,854	750,210	(3,644)
Expenditures				
Current				
Community environment				
Personal services	65,454	65,454	65,392	62
Other operations	686,900	686,900	517,007	169,893
Capital outlay	450,000	450,000	258,294	191,706
Total expenditures	1,202,354	1,202,354	840,693	361,661
Excess (deficiency) of revenues over (under) expenditures	(84,500)	(448,500)	(90,483)	358,017
Net change in fund balances	(84,500)	(448,500)	(90,483)	358,017
Fund balance at beginning of year	185,474	185,474	185,474	-
Prior year encumbrances appropriated	115,000	115,000	115,000	-
Fund balance at end of year	\$ 215,974	\$ (148,026)	\$ 209,991	\$ 358,017

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Probation Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees, licenses, and permits	\$ 70,000	\$ 84,460	\$ 84,535	\$ 75
Total revenues	70,000	84,460	84,535	75
Expenditures				
Current				
Security of persons and property				
Personal services	-	1,305	-	1,305
Other operations	70,000	18,695	3,779	14,916
Total expenditures	70,000	20,000	3,779	16,221
Excess (deficiency) of revenues over (under) expenditures	-	64,460	80,756	16,296
Other Financing Sources (Uses)				
Transfers out	-	(50,000)	(50,000)	-
Total other financing sources (uses)	-	(50,000)	(50,000)	-
Net change in fund balances	-	14,460	30,756	16,296
Fund balance at beginning of year	23,230	23,230	23,230	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 23,230</u>	<u>\$ 37,690</u>	<u>\$ 53,986</u>	<u>\$ 16,296</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Enterprise Zone/Community Reinvestment Area Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, licenses, and permits	\$ 2,500	\$ 2,500	\$ 2,882	\$ 382
Total revenues	2,500	2,500	2,882	382
Expenditures				
Current				
Community environment				
Other operations	2,600	2,600	2,247	353
Total expenditures	2,600	2,600	2,247	353
Excess (deficiency) of revenues over (under) expenditures	(100)	(100)	635	735
Net change in fund balances	(100)	(100)	635	735
Fund balance at beginning of year	7,704	7,704	7,704	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 7,604	\$ 7,604	\$ 8,339	\$ 735

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Suspended License Intervention
Program Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees, licenses, and permits	\$ 21,000	\$ 26,000	\$ 26,450	\$ 450
Total revenues	21,000	26,000	26,450	450
Expenditures				
Current				
General government				
Personal services	-	2,000	1,941	59
Other operations	20,000	18,000	-	18,000
Capital outlay	5,000	5,000	-	5,000
Total expenditures	25,000	25,000	1,941	23,059
Excess (deficiency) of revenues over (under) expenditures	(4,000)	1,000	24,509	23,509
Net change in fund balances	(4,000)	1,000	24,509	23,509
Fund balance at beginning of year	4,519	4,519	4,519	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 519	\$ 5,519	\$ 29,028	\$ 23,509

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Drug Law Enforcement Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 20,000	\$ 15,000	\$ 14,456	\$ (544)
Total revenues	20,000	15,000	14,456	(544)
Expenditures				
Current				
Security of persons and property				
Other operations	57,165	57,165	23,593	33,572
Total expenditures	57,165	57,165	23,593	33,572
Excess (deficiency) of revenues over (under) expenditures	(37,165)	(42,165)	(9,137)	33,028
Net change in fund balances	(37,165)	(42,165)	(9,137)	33,028
Fund balance at beginning of year	84,444	84,444	84,444	-
Prior year encumbrances appropriated	215	215	215	-
Fund balance at end of year	\$ 47,494	\$ 42,494	\$ 75,522	\$ 33,028

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Law Enforcement Trust Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 4,000	\$ 14,000	\$ 14,284	\$ 284
Total revenues	4,000	14,000	14,284	284
Expenditures				
Current				
Security of persons and property				
Other operations	16,099	16,099	8,043	8,056
Capital outlay	10,000	10,000	9,886	114
Total expenditures	26,099	26,099	17,929	8,170
Excess (deficiency) of revenues over (under) expenditures	(22,099)	(12,099)	(3,645)	8,454
Net change in fund balances	(22,099)	(12,099)	(3,645)	8,454
Fund balance at beginning of year	63,044	63,044	63,044	-
Prior year encumbrances appropriated	1,599	1,599	1,599	-
Fund balance at end of year	<u>\$ 42,544</u>	<u>\$ 52,544</u>	<u>\$ 60,998</u>	<u>\$ 8,454</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Indigent Drivers Alcohol Treatment Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 36,000	\$ 46,000	\$ 46,763	\$ 763
Total revenues	36,000	46,000	46,763	763
Expenditures				
Current				
Security of persons and property				
Other operations	550,000	550,000	-	550,000
Total expenditures	550,000	550,000	-	550,000
Excess (deficiency) of revenues over (under) expenditures	(514,000)	(504,000)	46,763	550,763
Net change in fund balances	(514,000)	(504,000)	46,763	550,763
Fund balance at beginning of year	541,614	541,614	541,614	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 27,614	\$ 37,614	\$ 588,377	\$ 550,763

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Enforcement and Education Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 5,781	\$ (1,219)
Other	2,500	2,500	4,100	1,600
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>9,881</u>	<u>381</u>
Expenditures				
Current				
Security of persons and property				
Other operations	17,500	17,500	1,695	15,805
Total expenditures	<u>17,500</u>	<u>17,500</u>	<u>1,695</u>	<u>15,805</u>
Excess (deficiency) of revenues				
over (under) expenditures	(8,000)	(8,000)	8,186	16,186
Net change in fund balances				
	(8,000)	(8,000)	8,186	16,186
Fund balance at beginning of year	3,901	3,901	3,901	-
Prior year encumbrances appropriated	12,500	12,500	12,500	-
Fund balance at end of year	<u>\$ 8,401</u>	<u>\$ 8,401</u>	<u>\$ 24,587</u>	<u>\$ 16,186</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Municipal Motor Vehicle License Tax Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State levied shared taxes	\$ 110,000	\$ 110,000	\$ 109,048	\$ (952)
Total revenues	110,000	110,000	109,048	(952)
Expenditures				
Current				
Street maintenance				
Other operations	110,000	110,000	109,750	250
Total expenditures	110,000	110,000	109,750	250
Excess (deficiency) of revenues over (under) expenditures	-	-	(702)	(702)
Net change in fund balances	-	-	(702)	(702)
Fund balance at beginning of year	711	711	711	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 711	\$ 711	\$ 9	\$ (702)

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Court Computer Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 140,000	\$ 148,500	\$ 148,550	\$ 50
Total revenues	140,000	148,500	148,550	50
Expenditures				
Current				
General government				
Other operations	249,648	249,648	123,696	125,952
Capital outlay	41,507	41,507	20,009	21,498
Total expenditures	291,155	291,155	143,705	147,450
Excess (deficiency) of revenues over (under) expenditures	(151,155)	(142,655)	4,845	147,500
Net change in fund balances	(151,155)	(142,655)	4,845	147,500
Fund balance at beginning of year	121,897	121,897	121,897	-
Prior year encumbrances appropriated	61,155	61,155	61,155	-
Fund balance at end of year	<u>\$ 31,897</u>	<u>\$ 40,397</u>	<u>\$ 187,897</u>	<u>\$ 147,500</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Federal Law Enforcement Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest earnings	-	-	2,051	2,051
Total revenues	-	-	2,051	2,051
Expenditures				
Current				
Security of persons and property				
Other operations	6,650	6,650	6,850	(200)
Total expenditures	6,650	6,650	6,850	(200)
Excess (deficiency) of revenues over (under) expenditures	(6,650)	(6,650)	(4,799)	1,851
Net change in fund balances	(6,650)	(6,650)	(4,799)	1,851
Fund balance at beginning of year	72,323	72,323	72,323	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 65,673	\$ 65,673	\$ 67,524	\$ 1,851

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - FEMA Public Assistance Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers out	-	(159,873)	(159,872)	1
Total other financing sources (uses)	-	(159,873)	(159,872)	1
Net change in fund balances	-	(159,873)	(159,872)	1
Fund balance at beginning of year	159,872	159,872	159,872	-
Prior year encumbrances appropriated	-	-	-	-
	<u>159,872</u>	<u>159,872</u>	<u>159,872</u>	<u>-</u>
Fund balance at end of year	<u>\$ 159,872</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Debt Service Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest earnings	\$ 6,000	\$ 7,500	\$ 12,011	\$ 4,511
Special Assessments	85,775	89,675	89,733	58
Total revenues	91,775	97,175	101,744	4,569
Expenditures				
Current				
General government				
Other operations	500	500	-	500
Total - general government	500	500	-	500
Debt service				
Principal	556,078	623,878	623,856	22
Interest	327,830	260,030	228,069	31,961
Total expenditures	884,408	884,408	851,925	32,483
Excess (deficiency) of revenues over (under) expenditures	(792,633)	(787,233)	(750,181)	37,052
Other Financing Sources (Uses)				
Transfers in	750,000	760,000	760,000	-
Total other financing sources (uses)	750,000	760,000	760,000	-
Net change in fund balances	(42,633)	(27,233)	9,819	37,052
Fund balance at beginning of year	56,252	56,252	56,252	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	\$ 13,619	\$ 29,019	\$ 66,071	\$ 37,052

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - Capital Improvement Reserve Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest earnings	\$ 993,845	\$ 1,347,345	\$ 1,590,589	\$ 243,244
Special assessments	103,873	103,873	104,004	131
Other	45,000	86,500	86,830	330
Total revenues	<u>1,142,718</u>	<u>1,537,718</u>	<u>1,781,423</u>	<u>243,705</u>
Expenditures				
Current				
General government				
Other operations	32,000	32,000	24,695	7,305
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>24,695</u>	<u>7,305</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,110,718	1,505,718	1,756,728	251,010
Other Financing Sources (Uses)				
Transfers in	-	-	260,684	260,684
Transfers out	(2,500,000)	(2,875,000)	(2,875,000)	-
Advances in	200,800	200,800	200,800	-
Total other financing sources (uses)	<u>(2,299,200)</u>	<u>(2,674,200)</u>	<u>(2,413,516)</u>	<u>260,684</u>
Net change in fund balances	(1,188,482)	(1,168,482)	(656,788)	511,694
Fund balance at beginning of year	2,026,656	2,026,656	2,026,656	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 838,174</u>	<u>\$ 858,174</u>	<u>\$ 1,369,868</u>	<u>\$ 511,694</u>

City of Cuyahoga Falls, Ohio

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Storm Drainage Utility Fund For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 625,000	\$ 687,000	\$ 702,239	\$ 15,239
Total revenues	625,000	687,000	702,239	15,239
Expenditures				
Current				
Capital outlay				
Personal services	53,969	53,969	44,919	9,050
Capital outlay	848,329	848,329	795,287	53,042
Total expenditures	902,298	902,298	840,206	62,092
Excess (deficiency) of revenues over (under) expenditures	(277,298)	(215,298)	(137,967)	77,331
Net change in fund balances	(277,298)	(215,298)	(137,967)	77,331
Fund balance at beginning of year	232,517	232,517	232,517	-
Prior year encumbrances appropriated	56,129	56,129	56,129	-
Fund balance at end of year	\$ 11,348	\$ 73,348	\$ 150,679	\$ 77,331

Internal Service Funds

Internal Service Funds	To account for the financing of goods or services provided by one department of the City to other departments of the City on a cost reimbursement basis.
Garage	To account for the cost of maintenance facility for automotive equipment used by various City departments. The costs of services provided are billed to the various user departments.
Office Supply	To account for the cost of central purchasing of office supplies and custodial products used by various City departments.
Information Services	To account for the maintenance and support of information technology to various City departments. The actual costs of services are reimbursed to this fund by the user departments.
Self-Insurance	To account for the cost of medical benefits and life insurance provided to the City's employees.
Workers' Compensation	To account for the cost of workers' compensation claims and administrative costs incurred by City employees.
Compensated Absences	To accumulate sums sufficient to defray anticipated employee benefit payments.

City of Cuyahoga Falls, Ohio

Combining Statement of Net Assets - Governmental Activities Internal Service Funds December 31, 2005

	<u>Garage</u>	<u>Office Supply</u>	<u>Information Services</u>	<u>Self Insurance</u>
Assets				
Current Assets				
Equity in pooled cash and cash equivalents	\$ 123,317	\$ 25,642	\$ 41,512	\$ 143,358
Receivables				
Accounts				
(net of allowance for uncollectibles)	98	-	-	34,743
Due from other funds	-	-	-	859,234
Due from other governments	1	-	-	14,440
Inventory of supplies	478,286	1,720	-	-
Prepaid items	2,647	-	1,032	18,448
Total current assets	<u>604,349</u>	<u>27,362</u>	<u>42,544</u>	<u>1,070,223</u>
Noncurrent Assets				
Capital Assets				
Land	21,960	-	-	-
Buildings	105,958	-	132,858	-
Improvements other than buildings	260,029	-	-	-
Equipment	315,086	-	1,813,860	-
Less: Accumulated depreciation	(598,870)	-	(1,280,766)	-
Total noncurrent assets	<u>104,163</u>	<u>-</u>	<u>665,952</u>	<u>-</u>
Total assets	<u><u>708,512</u></u>	<u><u>27,362</u></u>	<u><u>708,496</u></u>	<u><u>1,070,223</u></u>
Liabilities				
Current Liabilities				
Accounts payable	102,108	11,968	358,632	-
Accrued salaries, wages and benefits	7,021	-	7,615	-
Accrued compensated absences	60,574	-	75,140	-
Due to other funds	18,965	-	11,975	-
Due to other governments	1,052	-	1,206	-
Claims and judgments payable	-	-	-	1,070,223
Total current liabilities	<u>189,720</u>	<u>11,968</u>	<u>454,568</u>	<u>1,070,223</u>
Noncurrent Liabilities				
Accrued compensated absences	63,369	-	22,048	-
Claims and judgments payable	-	-	-	-
Total Noncurrent Liabilities	<u>63,369</u>	<u>-</u>	<u>22,048</u>	<u>-</u>
Total liabilities	<u><u>253,089</u></u>	<u><u>11,968</u></u>	<u><u>476,616</u></u>	<u><u>1,070,223</u></u>
Net Assets				
Invested in capital assets, net of related debt	104,163	-	665,952	-
Unrestricted	351,260	15,394	(434,072)	-
Total net assets	<u><u>455,423</u></u>	<u><u>15,394</u></u>	<u><u>231,880</u></u>	<u><u>-</u></u>

Combining Statement of Net Assets - Governmental Activities Internal Service Funds
December 31, 2005

(Continued)

	<u>Workers'</u> <u>Compensation</u>	<u>Compensated</u> <u>Absences</u>	<u>Total</u>
Assets			
Current Assets			
Equity in pooled cash and cash equivalents	\$ 4,503,609	\$ 4,417	\$ 4,841,855
Receivables			
Accounts			
(net of allowance for uncollectibles)	-	-	34,841
Due from other funds	-	-	859,234
Due from other governments	-	-	14,441
Inventory of supplies	-	-	480,006
Prepaid items	-	-	22,127
Total current assets	<u>4,503,609</u>	<u>4,417</u>	<u>6,252,504</u>
Noncurrent Assets			
Capital Assets			
Land	-	-	21,960
Buildings	-	-	238,816
Improvements other than buildings	-	-	260,029
Equipment	-	-	2,128,946
Less: Accumulated depreciation	-	-	(1,879,636)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>770,115</u>
Total assets	<u>4,503,609</u>	<u>4,417</u>	<u>7,022,619</u>
Liabilities			
Current Liabilities			
Accounts payable	6,450	-	479,158
Accrued salaries, wages and benefits	-	-	14,636
Accrued compensated absences	-	-	135,714
Due to other funds	-	-	30,940
Due to other governments	377,369	-	379,627
Claims and judgments payable	382,176	-	1,452,399
Total current liabilities	<u>765,995</u>	<u>-</u>	<u>2,492,474</u>
Noncurrent Liabilities			
Accrued compensated absences	-	-	85,417
Claims and judgments payable	766,160	-	766,160
Total Noncurrent Liabilities	<u>766,160</u>	<u>-</u>	<u>851,577</u>
Total liabilities	<u>1,532,155</u>	<u>-</u>	<u>3,344,051</u>
Net Assets			
Invested in capital assets, net of related debt	-	-	770,115
Unrestricted	2,971,454	4,417	2,908,453
Total net assets	<u>2,971,454</u>	<u>4,417</u>	<u>3,678,568</u>

City of Cuyahoga Falls, Ohio

Combining Statement of Revenues, Expenses and Changes in Net Assets - Governmental Activities Internal Service Funds For the Year Ended December 31, 2005

	<u>Garage</u>	<u>Office Supply</u>	<u>Information Services</u>	<u>Self- Insurance</u>
Operating revenues				
Charges for services	\$ 1,974,637	\$ 68,299	\$ 1,001,521	\$ 6,004,654
Other	3,071	-	2,928	66,351
Total operating revenues	<u>1,977,708</u>	<u>68,299</u>	<u>1,004,449</u>	<u>6,071,005</u>
Operating Expenses				
Personal services	450,460	-	477,223	-
Fringe benefits	168,112	-	111,793	5,983,666
Materials and supplies	960,422	65,992	15,382	-
Utilities	20,519	-	7,356	-
Contractual services	11,451	-	28,137	55,711
Internal charges	145,743	333	9,083	-
Other	197,973	-	144,750	31,628
Depreciation	14,573	-	126,905	-
Total operating expenses	<u>1,969,253</u>	<u>66,325</u>	<u>920,629</u>	<u>6,071,005</u>
Net income (loss) from operations	<u>8,455</u>	<u>1,974</u>	<u>83,820</u>	<u>-</u>
Nonoperating Revenues (Expenses)				
Interest revenue	-	-	-	-
Loss from disposal of capital assets	(3,695)	-	(3,380)	-
Total nonoperating revenues (expenses)	<u>(3,695)</u>	<u>-</u>	<u>(3,380)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>4,760</u>	<u>1,974</u>	<u>80,440</u>	<u>-</u>
Capital Contributions				
Changes in net assets	<u>4,760</u>	<u>1,974</u>	<u>103,406</u>	<u>-</u>
Total net assets - beginning	450,663	13,420	128,474	-
Total net assets - ending	<u>\$ 455,423</u>	<u>\$ 15,394</u>	<u>\$ 231,880</u>	<u>\$ -</u>

**Combining Statement of Revenues, Expenses and Changes in Net Assets -
Governmental Activities Internal Service Funds
For the Year Ended December 31, 2005**

(Continued)

	Workers' Compensation	Compensated Absences	Total
Operating revenues			
Charges for services	\$ -	\$ 65,000	\$ 9,114,111
Other	1,720	-	74,070
Total operating revenues	<u>1,720</u>	<u>65,000</u>	<u>9,188,181</u>
Operating Expenses			
Personal services	1,093	539,932	1,468,708
Fringe benefits	489,144	-	6,752,715
Materials and supplies	-	-	1,041,796
Utilities	-	-	27,875
Contractual services	42,623	-	137,922
Internal charges	-	-	155,159
Other	64,562	-	438,913
Depreciation	-	-	141,478
Total operating expenses	<u>597,422</u>	<u>539,932</u>	<u>10,164,566</u>
Net income (loss) from operations	<u>(595,702)</u>	<u>(474,932)</u>	<u>(976,385)</u>
Nonoperating Revenues (Expenses)			
Interest revenue	140,028	-	140,028
Loss from disposal of capital assets	-	-	(7,075)
Total nonoperating revenues (expenses)	<u>140,028</u>	<u>-</u>	<u>132,953</u>
Income (loss) before contributions and transfers	<u>(455,674)</u>	<u>(474,932)</u>	<u>(843,432)</u>
Capital Contributions	-	-	22,966
Changes in net assets	<u>(455,674)</u>	<u>(474,932)</u>	<u>(820,466)</u>
Total net assets - beginning	3,427,128	479,349	4,499,034
Total net assets - ending	<u>\$ 2,971,454</u>	<u>\$ 4,417</u>	<u>\$ 3,678,568</u>

City of Cuyahoga Falls, Ohio

Combining Statement of Cash Flows - Governmental Activities Internal Service Funds For the Year Ended December 31, 2005

	<u>Garage</u>	<u>Office Supply</u>	<u>Information Services</u>	<u>Self- Insurance</u>
Cash Flows From Operating Activities				
Activities				
Cash received from customers	\$ 1,977,611	\$ 68,299	\$ 1,004,449	\$ 5,834,845
Cash payments to employees for services	(449,362)	-	(476,259)	-
Cash payments to employees for benefits	(153,177)	-	(153,014)	(5,607,200)
Cash payments to suppliers for goods and services	<u>(1,291,561)</u>	<u>(69,746)</u>	<u>(195,182)</u>	<u>(87,339)</u>
Net cash provided by operating activities	83,511	(1,447)	179,994	140,306
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(31,652)	-	(166,771)	-
Net cash used in capital and related financing activities	<u>(31,652)</u>	<u>-</u>	<u>(166,771)</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest revenue	-	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	51,859	(1,447)	13,223	140,306
Cash and cash equivalents at beginning of year	<u>71,458</u>	<u>27,089</u>	<u>28,289</u>	<u>3,052</u>
Cash and cash equivalents at end of year	<u>\$ 123,317</u>	<u>\$ 25,642</u>	<u>\$ 41,512</u>	<u>\$ 143,358</u>

Combining Statement of Cash Flows - Governmental Activities Internal Service Funds (Continued)
For the Year Ended December 31, 2005

	<u>Workers'</u> <u>Compensation</u>	<u>Compensated</u> <u>Absences</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Activities			
Cash received from customers	\$ 1,720	\$ 65,000	\$ 8,951,924
Cash payments to employees for services	(1,093)	(539,932)	(1,466,646)
Cash payments to employees for benefits	(712,663)	-	(6,626,054)
Cash payments to suppliers for goods and services	<u>(102,264)</u>	<u>-</u>	<u>(1,746,092)</u>
Net cash provided by operating activities	(814,300)	(474,932)	(886,868)
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	-	-	(198,423)
Net cash used in capital and related financing activities	-	-	(198,423)
Cash Flows From Investing Activities			
Interest revenue	140,028	-	140,028
Net cash provided (used) by investing activities	<u>140,028</u>	<u>-</u>	<u>140,028</u>
Net increase (decrease) in cash and cash equivalents	(674,272)	(474,932)	(945,263)
Cash and cash equivalents at beginning of year	<u>5,177,881</u>	<u>479,349</u>	<u>5,787,118</u>
Cash and cash equivalents at end of year	<u>\$ 4,503,609</u>	<u>\$ 4,417</u>	<u>\$ 4,841,855</u>

City of Cuyahoga Falls, Ohio

Combining Statement of Cash Flows - Governmental Activities Internal Service Funds (Continued) For the Year Ended December 31, 2005

	<u>Garage</u>	<u>Office Supply</u>	<u>Information Services</u>	<u>Self- Insurance</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 8,455	\$ 1,974	\$ 83,820	\$ -
Adjustments to reconcile operating Income (Loss) to Net Cash provided by operating activities:				
Depreciation	14,573	-	126,905	-
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:				
Receivables	(98)	-	-	(1,341)
Due from other funds	-	-	-	(220,379)
Due from other governments	1	-	-	(14,440)
Inventory of supplies	(5,695)	(41)	6,377	-
Prepaid items	301	-	410	44
Accounts payable				
- net of items affecting capital assets	47,481	(3,380)	2,739	-
Accrued salaries, wages and benefits	12,970	-	(42,595)	-
Due to other funds	5,350	-	2,103	-
Due to other governments	173	-	235	-
Claims payable	-	-	-	376,422
Total adjustments	<u>75,056</u>	<u>(3,421)</u>	<u>96,174</u>	<u>140,306</u>
Net cash provided operating activities	<u>\$ 83,511</u>	<u>\$ (1,447)</u>	<u>\$ 179,994</u>	<u>\$ 140,306</u>

During 2005 the Information Services Internal Service Fund received contributions in the form of capital assets from the Capital Projects Fund in the amount of \$22,966.

City of Cuyahoga Falls, Ohio

Combining Statement of Cash Flows - Governmental Activities Internal Service Funds (Continued)
For the Year Ended December 31, 2005

	<u>Workers'</u> <u>Compensation</u>	<u>Compensated</u> <u>Absences</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ (595,702)	\$ (474,932)	\$ (976,385)
Adjustments to reconcile operating Income (Loss) to Net Cash provided by operating activities:			
Depreciation	-	-	141,478
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Receivables	-	-	(1,439)
Due from other funds	-	-	(220,379)
Due from other governments	-	-	(14,439)
Inventory of supplies	-	-	641
Prepaid items	-	-	755
Accounts payable			
- net of items affecting capital assets	4,921	-	51,761
Accrued salaries, wages and benefits	-	-	(29,625)
Due to other funds	-	-	7,453
Due to other governments	54,715	-	55,123
Claims payable	(278,234)	-	98,188
Total adjustments	<u>(218,598)</u>	<u>-</u>	<u>89,517</u>
Net cash provided operating activities	<u>\$ (814,300)</u>	<u>\$ (474,932)</u>	<u>\$ (886,868)</u>

Fiduciary Funds – Agency Funds

Agency Funds	Trust and agency funds are established to account for assets received and held by the City acting in the capacity of an agent or custodian.
Treasury	To account for the employer's portion of costs for pension plans and Medicare.
Guarantee Deposits	To account for funds received from a contractor, developer or individual to ensure compliance with the ordinances of the City. Upon satisfactory completion of the project, the deposit is returned to the individual, developer or contractor.
Unclaimed Monies	To account for monies held by the City and Municipal Court pending identification of the individual or organization entitled to the money.
Employee Withholding	To account for amounts withheld from the payroll of the City's employees.
State Cases-Fines and Forfeitures	To account for the portion of Municipal Court fines and forfeitures forwarded to the City which must be remitted to the County Law Library Association.
Municipal Court	To account for fines and fees collected by the Cuyahoga Falls Municipal Court, which are required to be disbursed to various parties.

**Combining Statement of Net Assets - Fiduciary Funds
December 31, 2005**

	<u>Agency Funds</u>						<u>Totals</u>
	<u>Treasury</u>	<u>Guarantee Deposits</u>	<u>Unclaimed Monies</u>	<u>Employee Withholding</u>	<u>State Cases Fines and Forfeitures</u>	<u>Municipal Court</u>	
Assets							
Current Assets							
Equity in pooled cash and cash equivalents	\$1,405,688	\$1,570,305	\$ 96,486	\$ 507,951	\$ 2,361	\$ -	\$3,582,791
Cash and cash equivalents - restricted	-	-	-	-	-	482,655	482,655
Due from other governments	87,990	-	-	-	791	-	88,781
Total assets	<u>\$1,493,678</u>	<u>\$1,570,305</u>	<u>\$ 96,486</u>	<u>\$ 507,951</u>	<u>\$ 3,152</u>	<u>\$482,655</u>	<u>\$4,154,227</u>
Liabilities							
Current Liabilities							
Due to other governments	1,493,678	223,170	-	470,884	3,152	362,888	2,553,772
Deposits held and due to others	-	1,347,135	96,486	37,067	-	119,767	1,600,455
Total liabilities	<u>\$1,493,678</u>	<u>\$1,570,305</u>	<u>\$ 96,486</u>	<u>\$ 507,951</u>	<u>\$ 3,152</u>	<u>\$482,655</u>	<u>\$4,154,227</u>

City of Cuyahoga Falls, Ohio

Combining Statement of Changes in Net Assets - Fiduciary Funds For the Year Ended December 31, 2005

	Agency Funds						Totals
	Treasury	Guarantee Deposits	Unclaimed Monies	Employee Withholding	State Cases Fines and Forfeitures	Municipal Court	
Assets							
Balance January 1, 2005	\$ 1,471,830	\$ 1,326,331	\$ 91,125	\$ 500,909	\$ 3,481	\$ 468,502	\$ 3,862,178
Additions	5,334,192	935,277	5,361	10,624,829	13,288	6,521,539	23,434,486
Deletions	(5,312,344)	(691,303)	-	(10,617,787)	(13,617)	(6,507,386)	(23,142,437)
Balance December 31, 2005	<u>\$ 1,493,678</u>	<u>\$ 1,570,305</u>	<u>\$ 96,486</u>	<u>\$ 507,951</u>	<u>\$ 3,152</u>	<u>\$ 482,655</u>	<u>\$ 4,154,227</u>
Liabilities							
Balance January 1, 2005	1,471,830	1,326,331	91,125	500,909	3,481	468,502	3,862,178
Additions	5,334,192	935,277	5,361	10,624,829	13,288	6,521,539	23,434,486
Deletions	(5,312,344)	(691,303)	-	(10,617,787)	(13,617)	(6,507,386)	(23,142,437)
Balance December 31, 2005	<u>\$ 1,493,678</u>	<u>\$ 1,570,305</u>	<u>\$ 96,486</u>	<u>\$ 507,951</u>	<u>\$ 3,152</u>	<u>\$ 482,655</u>	<u>\$ 4,154,227</u>

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STATISTICAL SECTION

**General Governmental Revenues by Source
and Expenses/Expenditures by Function
Last Ten Years**

Table 1

	1996	1997	1998	1999
Revenues:				
Property taxes	\$ 6,536,994	\$ 7,857,144	\$ 8,031,254	\$ 7,714,820
Municipal income taxes	11,120,550	13,446,137	14,500,651	16,156,494
Other local taxes	240,381	198,924	298,904	194,272
State levied shared taxes	5,291,384	5,237,468	6,060,321	6,131,671
Intergovernmental	320,618	2,281,223	268,258	1,360,746
Charges for services	4,087,755	4,035,989	4,486,240	5,567,613
Fees, licenses, and permits	737,115	799,855	806,471	856,187
Interest earnings	1,536,728	1,789,252	1,694,422	1,521,632
Fines and forfeitures	546,949	499,955	462,875	385,094
Special assessments	260,868	252,243	230,496	219,473
All other revenues	285,059	279,666	782,317	326,587
Total Revenues	\$ 30,964,401	\$ 36,677,856	\$ 37,622,209	\$ 40,434,589
Expenditures:				
Current				
Security of persons and property	\$ 12,488,478	\$ 13,715,574	\$ 14,117,870	\$ 15,251,595
Leisure time activities	1,530,117	1,708,791	1,861,194	1,914,306
Community environment	872,339	839,459	983,711	835,905
Street maintenance	2,985,201	3,109,479	2,762,226	3,371,078
General government	6,187,188	6,579,934	6,918,540	7,130,996
Capital outlay	4,052,839	13,222,482	11,100,828	7,453,286
Debt service				
Principal	818,698	892,396	1,127,844	1,488,706
Interest	613,098	603,696	928,230	830,977
Total Expenditures	\$ 29,547,958	\$ 40,671,811	\$ 39,800,443	\$ 38,276,849

Note: Includes General, Special Revenue, Debt Service and Capital Projects Funds on the modified accrual basis of accounting.

City of Cuyahoga Falls, Ohio

General Governmental Revenues by Source and Expenses/Expenditures by Function Last Ten Years

Table 1
(Continued)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$	8,567,797	\$ 9,087,091	\$ 8,770,443	\$ 9,568,965	\$ 9,936,391	\$ 10,028,515
	15,820,981	16,191,625	16,740,777	16,732,040	18,454,257	16,908,814
	199,866	293,502	164,012	245,331	239,972	138,864
	6,549,177	6,590,819	6,138,255	6,369,187	6,850,014	6,983,147
	748,440	2,821,042	2,381,899	3,189,056	2,864,296	1,565,036
	6,255,286	6,664,641	6,720,028	6,613,544	6,877,348	7,854,459
	871,507	1,064,874	916,423	1,071,256	1,116,812	1,249,654
	2,445,416	2,634,886	974,023	656,629	365,308	1,547,004
	455,627	446,737	443,491	353,640	393,252	441,608
	947,264	640,975	261,172	262,204	358,450	312,840
	0	0	0	0	0	0
	313,143	372,271	679,249	1,415,459	725,771	748,311
	<u>\$ 43,174,504</u>	<u>\$ 46,808,463</u>	<u>\$ 44,189,772</u>	<u>\$ 46,477,311</u>	<u>\$ 48,181,871</u>	<u>\$ 47,778,252</u>
\$	16,410,061	\$ 16,849,176	\$ 18,269,597	\$ 18,122,227	\$ 19,063,751	\$ 20,017,544
	2,051,907	2,299,180	2,551,463	2,943,074	3,055,510	2,745,067
	954,197	1,025,487	979,129	1,080,107	1,423,880	1,996,878
	3,252,985	3,382,595	3,647,130	4,297,980	4,374,161	4,478,915
	7,512,854	8,643,427	8,848,607	8,779,774	8,957,972	9,392,345
	8,603,181	10,212,506	12,785,685	11,477,250	8,650,586	5,139,395
	1,720,660	1,203,935	881,660	846,300	969,599	998,006
	868,776	775,513	691,267	688,237	619,404	687,090
	<u>\$ 41,374,621</u>	<u>\$ 44,391,819</u>	<u>\$ 48,654,538</u>	<u>\$ 48,234,949</u>	<u>\$ 47,114,863</u>	<u>\$ 45,455,240</u>

**Property Tax Levies and Collections
Real and Public Utility Property
Last Ten Years**

Table 2

Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collections	Current Collections to Current Levy	Delinquent Collections	Total Collections	Total Collections to Total Levy
1996	6,485,885	280,842	6,766,727	6,308,563	97.27	143,001	6,451,564	95.34
1997	7,960,459	303,852	8,264,311	7,745,412	97.30	210,340	7,955,752	96.27
1998	8,054,733	305,165	8,359,898	7,826,491	97.17	184,898	8,011,389	95.83
1999	7,762,075	276,739	8,038,814	7,552,558	97.30	204,918	7,757,476	96.50
2000	8,736,019	280,758	9,016,777	8,479,687	97.07	201,625	8,681,312	96.28
2001	8,879,828	314,288	9,194,116	8,337,458	93.89	227,663	8,565,121	93.16
2002	8,996,444	390,223	9,386,667	8,702,236	96.73	263,613	8,965,849	95.52
2003	10,094,685	424,276	10,518,961	9,679,219	95.88	281,225	9,960,444	94.69
2004	10,142,306	446,236	10,588,542	9,783,327	96.46	324,156	10,107,483	95.46
2005	10,236,024	392,077	10,628,101	9,912,456	96.84	288,092	10,200,548	95.98

Source: Summit County Auditor's Office

**Property Tax Levies and Collections
Tangible Personal Property
Last Ten Years**

Table 3

Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collections	Current Collections to Current Levy	Delinquent Collections	Total Collections	Total Collections to Total Levy
1996	836,101	96,838	932,939	828,075	99.04	36,464	864,539	92.67
1997	858,325	68,027	926,352	843,364	98.26	24,502	867,866	93.69
1998	937,970	103,057	1,041,027	928,229	98.96	50,300	978,529	94.00
1999	906,831	80,556	987,387	891,560	98.32	35,722	927,282	93.91
2000	885,990	69,771	955,761	873,802	98.62	20,286	894,088	93.55
2001	982,175	93,661	1,075,836	933,640	95.06	36,719	970,359	90.20
2002	945,465	106,720	1,052,185	878,938	92.96	45,734	924,672	87.88
2003	924,955	140,967	1,065,922	909,780	98.36	82,283	992,063	93.07
2004	953,921	78,549	1,032,470	930,852	97.58	23,190	954,042	92.40
2005	935,583	145,624	1,081,207	907,063	96.95	39,846	946,909	87.58

Source: Summit County Auditor's Office

City of Cuyahoga Falls, Ohio

Special Assessments Levied and Collected Last Ten Years

Table 4

Year	Assessments Levied	Current Assessments Collected	Current Collections to Assessments Levied	Delinquent Assessments Collected	Total Assessments Collected
1996	240,583	233,162	96.92	15,948	249,110
1997	266,684	261,422	98.03	7,884	269,306
1998	226,096	223,606	98.90	5,548	229,154
1999	216,396	213,152	98.50	4,603	217,755
2000	217,886	214,785	98.58	2,800	217,585
2001	217,849	215,456	98.90	5,222	220,678
2002	253,894	248,170	97.75	4,979	253,149
2003	265,299	264,285	99.62	5,706	269,991
2004	324,722	288,484	88.84	7,149	295,633
2005	328,466	300,368	91.45	18,659	319,027

Note: This schedule reflects only those assessments levied/collected through Summit County.

Assessed and Estimated Actual Value of Taxable Property Last Ten Years

Table 5

Collection Year	Real Property		Public Utility Property	Tangible Personal Property	Total Assessed Value
	Estimated Value	Assessed Value	Assessed Value	Assessed Value	
1996	1,499,319,914	524,761,970	25,298,060	69,549,946	619,609,976
1997	1,883,647,943	659,276,780	24,102,670	71,362,159	754,741,609
1998	1,915,195,743	670,318,510	23,844,190	78,015,398	772,178,098
1999	1,963,500,400	687,225,140	23,682,270	82,647,099	793,554,509
2000	2,198,270,057	769,394,520	23,881,700	84,544,555	877,820,775
2001	2,242,094,943	784,733,230	20,564,700	88,901,960	894,199,890
2002	2,290,765,971	801,768,090	16,098,170	85,154,613	903,020,873
2003	2,573,257,029	900,639,960	17,072,190	85,154,613	1,002,866,763
2004	2,587,929,343	905,775,270	16,295,660	79,630,460	1,001,701,390
2005	2,612,036,057	914,212,620	16,099,970	82,276,185	1,012,588,775

Notes: The current assessed valuation is computed at approximately the following percentages of estimated true value:
real property - 35 percent; public utilities - 100 percent; tangible personal property - 25 percent.

Source: Summit County Auditor's Office

**Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years**

Table 6

SCHOOL DISTRICT	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CUYAHOGA FALLS CITY										
City of Cuyahoga Falls										
General Fund	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40
Police Pension	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Fire Pension	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Parks and Recreation	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total City of Cuyahoga Falls	12.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Cuyahoga Falls City Schools	53.98	53.83	53.83	57.63	57.23	57.23	61.96	62.00	62.00	70.00
Summit County	13.99	11.65	11.65	12.27	13.07	13.07	13.07	13.07	13.07	13.07
Total	\$ 79.97	\$ 77.48	\$ 77.48	\$ 80.90	\$ 81.30	\$ 81.30	\$ 86.03	\$ 86.07	\$ 86.07	\$ 94.07
WOODRIDGE LOCAL										
City of Cuyahoga Falls										
General Fund	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40	\$ 10.40
Police Pension	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Fire Pension	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Parks and Recreation	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total City of Cuyahoga Falls	12.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Woodridge Local Schools	46.81	46.41	46.41	50.46	49.86	49.36	47.69	47.98	54.81	54.04
Summit County	13.99	11.65	11.65	12.27	13.07	13.07	13.07	13.07	13.07	13.07
Akron Summit County Library	0.89	1.87	1.87	1.39	1.39	1.35	1.59	0.78	2.14	2.04
Total	\$ 73.69	\$ 71.93	\$ 71.93	\$ 75.12	\$ 75.32	\$ 74.78	\$ 73.35	\$ 72.83	\$ 81.02	\$ 80.15

Notes: Levies for other school districts (2001); Hudson LSD-99.22; Stow CSD--72.39; Revere LSD-85.82.
Source: Summit County Auditor's Office

City of Cuyahoga Falls, Ohio

Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Years

Table 7

Year	Population *	Assessed Value	Gross General Bonded Debt **	Less Balance In Debt Service Fund	Less Debt Payable from Enterprise Revenue	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	48,950	619,609,976	22,953,267	387,090	13,443,290	9,122,887	1.47	186.37
1997	48,950	754,741,609	31,430,597	297,333	17,246,270	13,886,994	1.84	283.70
1998	48,950	772,178,098	34,627,926	290,686	20,078,287	14,258,953	1.85	291.30
1999	48,950	793,554,509	35,519,093	185,039	19,917,579	15,416,475	1.94	314.94
2000	49,374	877,820,775	37,984,784	196,184	23,099,521	14,689,079	1.67	297.51
2001	49,374	889,876,175	36,119,475	182,260	22,534,435	13,402,780	1.51	271.45
2002	50272***	903,020,873	43,096,165	53,662	26,700,527	16,341,976	1.81	330.98
2003	50,272***	1,002,866,763	58,037,855	56,256	38,460,676	19,520,923	1.95	388.31
2004	50,272***	1,001,701,390	63,649,542	56,285	45,356,437	18,236,820	1.82	362.76
2005	50272***	1,012,588,775	63,381,232	66,085	48,673,195	14,641,952	1.45	291.25

Notes: * All figures estimated by the City's Planning Department, except for U.S. Census in 2000.
 ** Includes bond anticipation notes.
 *** On July 1, 2002 an appeal was granted by the U.S. Census Bureau making the population of the City of Cuyahoga Falls 50,272. See Tables 20 and 21

**Computation of Direct and Overlapping Debt
December 31, 2005**

Table 8

Political Subdivision	Assessed Valuation	Values Within City Boundary	Percent Overlapping	Net Debt Outstanding	Applicable Amount to City
Municipal Corporation:					
City of Cuyahoga Falls	\$ 1,012,588,775	\$ 1,012,588,775	100.00	\$ 13,488,000	13,488,000
School Districts:					
Cuyahoga Falls City School District	790,871,634	710,202,727	89.80	6,202,000	5,569,652
Woodridge Local School District	480,100,718	286,428,088	59.66	14,326,176	8,546,343
Stow City School District	900,815,310	720,652	0.08	3,615,000	2,785
Hudson City School District	873,140,182	7,596,319	0.87	9,124,174	79,282
Revere Local School District	816,462,244	7,674,745	0.94	11,436,561	107,384
Cuyahoga Valley Joint Vocational School District	2,597,615,640	7,792,847	0.30	0	0
County Unit:					
Summit County	12,130,303,957	1,012,880,380	8.35	75,397,639	6,293,890
Other Units:					
Akron Metro Regional Transit Authority	12,130,303,957	1,012,880,380	8.35	1,345,000	112,275
Akron-Summit County Library District	8,187,009,665	293,913,647	3.59	58,721,401	2,109,237
Metro Parks	11,455,703,500	1,012,684,189	8.84	0	0
Total Direct Debt	<u>\$ 1,012,588,775</u>	<u>\$ 1,012,588,775</u>	<u>100.00</u>	<u>\$ 13,488,000</u>	<u>13,488,000</u>
Total Overlapping Debt	<u>51,374,915,582</u>	<u>5,365,362,749</u>	<u>10.44</u>	<u>193,655,951</u>	<u>22,820,848</u>

Note: The percentage of debt outstanding applicable to the City was determined by dividing each jurisdiction's assessed valuation with the City by the jurisdiction's total assessed valuation.

Source: Summit County Auditor's Office

City of Cuyahoga Falls, Ohio

City of Cuyahoga Falls, Ohio Computation of Legal Debt Margin December 31, 2005

Table 9

Total of all City Debt Outstanding	\$ 35,381,232
Debt exempt from calculation:	
Self-supporting as defined in R.C. 133.05	
General Sewer and Sanitary Improvements	\$ 5,728,749
Water Utility	9,570,170
Electric Utility	1,590,745
Recreation Facilities	8,483,609
Special Assessment bonds and notes issued in anticipation	<u>541,878</u>
Total exempt Debt	<u>25,915,151</u>
Net indebtedness (voted and unvoted) subject to 10.5% debt limitation	9,466,081
Less applicable Debt Service Fund	<u>(66,085)</u>
	<u>\$ 9,399,996</u>
Net indebtedness (unvoted) subject to 5.5% debt limitation	9,466,081
Less applicable Debt Service Fund	<u>(66,085)</u>
	<u>\$ 9,399,996</u>
Assessed valuation of City (based on 2005 collections)	\$ 1,012,588,775
Legal 10.5% Debt Margin	
10.5% of valuation (maximum voted and unvoted general obligation debt limitation)	\$ 106,321,821
Net indebtedness outstanding subject to 10.5% debt limitation	<u>(9,399,996)</u>
Legal 10.5% Margin	<u>\$ 96,921,825</u>
Legal 5.5% Debt Margin	
5.5% of valuation (maximum unvoted general obligation debt allowed)	\$ 55,692,383
Net indebtedness outstanding subject to 5.5% debt limitation	<u>(9,399,996)</u>
Legal 5.5% Margin	<u>\$ 46,292,387</u>

Note: Compensation of Legal Debt Margin is based on Section 133, the Uniform Public Securities Law of the Ohio Revised Code.

**Ratio of Annual Debt Service Expenditures
For General Bonded Debt to Total General
Governmental Expenditures
Last Ten Years**

Table 10

Year	Principal	Interest	Debt Service on General Bonded Debt	General Governmental Expenditures	Ratio
1996	455,757	548,736	1,004,493	29,547,958	3.40
1997	475,650	523,421	999,071	40,670,566	2.46
1998	659,688	830,292	1,489,980	39,800,443	3.74
1999	683,124	752,184	1,435,308	38,276,849	3.75
2000	716,251	717,939	1,434,190	41,374,621	3.47
2001	740,223	684,386	1,424,609	44,391,819	3.21
2002	739,402	670,894	1,410,296	48,621,349	2.90
2003	768,459	630,549	1,399,008	48,234,949	2.90
2004	895,608	450,753	1,346,361	47,114,863	2.86
2005	885,146	456,058	1,341,204	45,455,240	2.95

Notes: Includes all general obligation bonds except for bonds intended to be paid from enterprise revenues.
Debt service amounts were determined on a cash basis.

City of Cuyahoga Falls, Ohio

Property Values and Construction Activity Last Ten Years

Table 11

<u>Year</u>	<u>Estimated Property Value</u>	<u>Value of Building Permits Issued</u>
1996	1,499,319,914	40,328,297
1997	1,883,647,943	66,395,696
1998	1,915,310,686	45,248,360
1999	1,963,624,971	59,986,495
2000	2,198,394,629	55,669,110
2001	2,242,191,200	49,842,859
2002	2,290,675,314	48,799,697
2003	2,573,257,029	57,103,397
2004	2,587,929,343	38,466,084
2005	2,612,036,057	47,713,029

Sources: Building Permits-City of Cuyahoga Falls, Building Department.
Estimated Property Value - Summit County Auditor's Office.

**City of Cuyahoga Falls, Ohio
Enterprise Fund Bond Coverage
Last Ten Years**

Table 12

SEWAGE AND DISPOSAL FUND							
Year	Operating Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	4,403,640	3,818,349	585,291	100,000	9,250	109,250	5.36
1997	4,195,043	4,121,156	73,887	0	59,500	59,500	1.24
1998	4,275,018	3,812,478	462,540	74,395	149,578	223,973	2.07
1999	5,405,172	4,198,092	1,207,080	159,114	209,657	368,771	3.27
2000	4,111,896	4,018,328	93,568	162,997	204,074	367,071	0.25
2001	4,839,820	3,611,191	1,228,629	172,206	197,977	370,183	3.32
2002	4,695,348	4,070,424	624,924	177,532	191,273	368,805	1.69
2003	4,428,348	4,489,359	(61,011)	193,655	184,352	378,007	(0.16)
2004	5,396,730	5,375,636	21,094	191,843	176,734	368,577	0.06
2005	6,513,205	5,287,553	1,225,652	199,833	168,778	368,611	3.33

WATER							
Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	3,086,075	2,487,104	598,971	0	0	0	N/A
1997	3,473,579	2,731,122	742,457	0	52,889	52,889	14.04
1998	3,573,260	3,042,858	530,402	66,129	132,957	199,086	2.66
1999	5,099,136	3,284,575	1,814,561	236,094	301,752	537,846	3.37
2000	3,551,060	3,363,585	187,475	241,206	293,902	535,108	0.35
2001	4,373,731	3,662,806	710,925	254,374	285,208	539,582	1.32
2002	4,436,677	3,513,802	922,875	382,430	575,935	958,365	0.96
2003	4,215,436	3,566,424	649,012	459,514	485,973	945,487	0.69
2004	4,689,048	4,277,133	411,915	471,794	469,242	941,036	0.44
2005	5,091,414	4,831,739	259,675	488,877	450,342	939,219	0.28

ELECTRIC FUND							
Year	Operating Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	22,269,656	19,199,774	3,069,882	170,000	211,260	381,260	8.05
1997	22,604,783	19,087,733	3,517,050	180,000	201,055	381,055	9.23
1998	25,026,429	21,152,014	3,874,415	190,000	188,125	378,125	10.25
1999	27,091,588	22,522,038	4,569,550	205,000	174,190	379,190	12.05
2000	26,699,348	22,378,133	4,321,215	215,000	159,210	374,210	11.55
2001	28,414,021	23,208,864	5,205,157	225,000	149,213	374,213	13.91
2002	28,587,331	23,260,776	5,326,555	240,000	138,525	378,525	14.07
2003	26,724,133	24,056,906	2,667,227	250,000	126,885	376,885	7.08
2004	27,654,847	26,756,251	898,596	265,000	114,510	379,510	2.37
2005	31,988,594	34,824,876	(2,836,282)	275,000	101,128	376,128	(7.54)

City of Cuyahoga Falls, Ohio

City of Cuyahoga Falls, Ohio Enterprise Fund Bond Coverage Last Ten Years

Table 12
(Continued)

LEISURE TIME FUND							
Year	Operating Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	2,283,626	2,353,667	(70,041)	260,243	332,335	592,578	(0.12)
1997	2,457,632	2,537,248	(79,616)	271,349	317,691	589,040	(0.14)
1998	3,007,942	3,208,048	(200,106)	281,788	301,922	583,710	(0.34)
1999	3,127,357	3,282,275	(154,918)	294,667	285,355	580,022	(0.27)
2000	3,094,058	3,649,682	(555,624)	307,545	271,538	579,083	(0.96)
2001	3,148,347	3,717,006	(568,659)	322,196	256,870	579,066	(0.98)
2002	3,273,884	3,957,204	(683,320)	342,636	241,178	583,814	(1.17)
2003	2,953,458	3,918,127	(964,669)	353,506	224,156	577,662	(1.67)
2004	3,675,022	4,839,131	(1,164,109)	437,755	333,646	771,401	(1.51)
2005	5,054,198	5,707,055	(652,857)	724,305	450,488	1,174,793	(0.56)

Notes:

- The Water Fund did not incur debt service for the years 1993 through 1996.
- Debt Service requirements are reported on a cash basis.
- Operating revenues and expenses are reported on a GAAP basis.

**Principal Property Taxpayers
December 31, 2005**

Table 13

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Assessed Valuation by Category
Real Property:			
Yorkshire Woods Apartments	Real estate holdings	9,594,960	1.05%
Newpart Limited Partnership	Residential real estate holdings	7,945,320	0.87%
Riverside Community Urban Redevelopment	Real estate investment	4,848,480	0.53%
Portage Towers Apartments	Real estate holdings	4,024,990	0.44%
Heslop, Inc.	Real estate holdings	3,991,860	0.44%
State Road Associates	Real estate holdings	3,737,810	0.41%
Plaza Chapel Hill Co.	Shopping Plaza	3,296,630	0.36%
HD Development of Maryland, Inc.	Real estate investment	3,150,020	0.34%
Brookledge II	Real estate holdings	2,730,020	0.30%
Dayton Hudson Corporation	Retail	2,615,260	0.29%
Total		<u>\$ 45,935,350</u>	<u>5.02%</u>
Total Assessed Valuation - Real		<u>\$ 914,212,620</u>	<u>90.28%</u>
Tangible Personal Property (other than Public Utilities):			
Go Jo Industries	Chemical specialists	\$ 6,622,070	8.05%
Struktol Co. of America	Specialty chemicals	5,123,180	6.23%
Accuride Erie LP	Manufacturer of aluminum wheels	4,738,480	5.76%
Associated Building Supplies	Aluminum products	3,902,040	4.74%
Pechney Plastic Packaging, Inc	Food packaging products	3,835,610	4.66%
Lambert Buick, Inc.	Car dealer	2,811,410	3.42%
Ron Marhoffer	Car Dealer	2,518,460	3.06%
Prospect Mold, Inc.	Specialty chemicals	2,380,780	2.89%
SGS Tool Company	Carbide cutting tools	2,357,130	2.86%
Cascade Auto Group,LTD.	Car Dealer	1,634,630	2.44%
Total		<u>\$ 35,923,790</u>	<u>44.12%</u>
Total Assessed Valuation - Tangible Personal		<u>\$ 82,276,185</u>	<u>8.13%</u>
Public Utilities (tangible personal property):			
Ohio Bell Telephone	Telephone utility	\$ 6,767,730	40.50%
Ohio Edison	Electric utility	3,511,080	19.80%
East Ohio Gas	Natural gas utility	1,710,470	8.72%
Total		<u>\$ 11,989,280</u>	<u>69.02%</u>
Total Assessed Valuation - Public Utilities		<u>\$ 16,099,970</u>	<u>1.59%</u>
Total Assessed Valuation - All Categories		<u>\$ 1,012,588,775</u>	<u>100.00%</u>

Source: Summit County Auditor's Office

City of Cuyahoga Falls, Ohio

Income Tax Collections Last Ten Years

Table 14

<u>Year</u>	<u>City Wage Tax Collected</u>	<u>City Personal Tax Collected</u>	<u>Total Tax Collected</u>	<u>Percent Increase (Decrease)</u>
1996	8,358,245	2,612,035	10,970,280	16.56
1997	10,256,890	2,943,964	13,200,854	20.33
1998	10,845,293	3,603,877	14,449,170	9.46
1999	11,378,940	4,611,426	15,990,366	10.66
2000	11,827,038	4,124,965	15,952,003	(0.24)
2001	11,871,684	4,266,102	16,137,786	1.16
2002	12,211,514	4,600,963	16,812,477	4.18
2003	12,578,908	4,016,509	16,595,417	1.31
2004	13,037,352	4,183,625	17,220,977	3.77
2005	13,698,948	4,112,371	17,811,319	3.43

Source: Cuyahoga Falls Income Tax Department
Notes: All amounts were determined on a cash basis and represent gross collections.
The municipal tax rate increased to 2.0 percent effective July 1, 1996.

Income Tax Collections Largest Employers for 2005

Table 15

<u>Employer</u>	<u>Type of Business</u>	<u>2005 City Wage Tax Collected</u>	<u>Percent of Total Wage Collections</u>
City of Cuyahoga Falls	Government	\$ 622,151	4.88
Summa Health System Hospitals	Hospital	574,456	4.51
Cuyahoga Falls Board of Education	Education	507,919	3.98
Associated Materials	Manufacturer	500,726	3.92
Go Jo Industries	Manufacturer	409,778	3.21
Americhem	Chemical Specialists	259,098	2.03
Accuride Cuyahoga Falls Inc.	Manufacturer	177,480	1.39
Woodridge Local School District	Education	173,895	1.36
Manufacturers Group	Manufacturer	171,449	1.35
Pechiney Plastic Packaging	Manufacturer	158,340	1.24
Top Ten Withholding		\$ 3,555,292	27.87
Total Withholding		\$ 13,698,948	100.00

Note: All numbers were determined on a cash basis and represent gross collections.

Source: Cuyahoga Falls Income Tax Department

City of Cuyahoga Falls, Ohio

Salaries of Principal Officials December 31, 2005

Table 16

SALARIES OF PRINCIPAL OFFICIALS

Title	Annual Salary
Mayor	\$ 98,155
President of Council	15,705
Council Members (11)	14,723
Director of Law	88,424
Director of Finance	88,424
Director of Public Service	88,424
Director of Industrial & Community Development	88,424
Municipal Judge (\$105,950)	
(\$44,200 paid by State)	
(Remainder 40% paid by County)	
(Remainder 60% paid by City)	37,050
Presiding Judge (\$107,450)	
(\$44,200 paid by State)	
(Remainder 40% paid by County)	
(Remainder 60% paid by City)	37,950
Clerk of Courts (\$91,332)	
(40% paid by County)	
(60% paid by City)	54,799

**Union Agreements
December 31, 2005**

Table 17

Union	Members	Representing	
American Federation of State, County and Municipal Employees (AFSCME) Effective: January 1, 2003 Expiration: December 31, 2005 Agreement Signed: April 24, 2003*	168 Members	Cleaning/Maintenance Personnel Clerical Personnel Equipment Operators Inspectors/Aides Laborers	Mechanics Meter Readers Refuse Collectors Technicians Water Utility Workers
Fraternal Order of Police - Ohio Labor Council, Inc. Effective: July 1, 2002 Expiration: June 30, 2005 Agreement Signed: October 29, 2002*	12 Members	Dispatchers	
International Association of Firefighters Local #494 Effective: July 1, 2005 Expiration: June 30, 2008 Agreement Signed: February 21, 2006	79 Members	Captains Firefighters Lieutenants	
Fraternal Order of Police - Ohio Labor Council, Inc. Effective: July 1, 2002 Expiration: June 30, 2005 Agreement Signed: September 13, 2002*	16 Members	Lieutenants Sergeants	
Fraternal Order of Police - Ohio Labor Council, Inc. Effective: July 1, 2005 Expiration: June 30, 2008 Agreement Signed: June 15, 2006	78 Members	Community Service Officers Patrol Officers	
Utility Workers of America Local #399 Effective: July 1, 2005 Expiration: June 30, 2008 Agreement Signed: November 9, 2005	37 Members	Draftsmen Electricians Equipment Operator Groundmen Linemen	Metermen Stockkeeper Technician Utility Men

*This union agreement has not been settled as of the report date.

City of Cuyahoga Falls, Ohio

Summary of Building Permits Last Ten Years

Table 18

Year	Residential		Commercial		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
1996	1,815	26,765,077	221	12,626,965	3,200	936,255	5,236	40,328,297
1997	1,722	30,450,552	203	33,775,487	3,121	2,169,657	5,046	66,395,696
1998	1,821	25,295,632	205	19,126,178	3,415	826,550	5,441	45,248,360
1999	1,860	34,649,869	245	24,038,050	3,540	1,298,576	5,645	59,986,495
2000	1,729	22,586,174	186	31,263,305	3,201	1,819,631	5,116	55,669,110
2001	1,649	25,289,110	163	22,988,539	2,858	1,565,210	4,670	49,842,859
2002	1,669	23,575,775	164	24,274,863	3,096	949,059	4,929	48,799,697
2003	1,776	25,163,242	205	30,396,602	3,702	1,543,553	5,683	57,103,397
2004	1,624	16,201,919	187	21,358,859	3,258	905,306	5,069	38,466,084
2005	1,554	26,601,284	259	18,923,132	2,939	2,188,613	4,752	47,713,029

Source: City of Cuyahoga Falls, Building Department

**Schedule of Insurance Coverage
December 31, 2005**

Table 19

Name of Carrier	Type of Coverage	Policy Period		Liability Limit	Annual Premium	Deductible
		From	To			
CNA Insurance Co.	Auto Liability and Comprehensive	10/22/2005	10/22/2006	\$ 1,000,000	\$ 143,732	\$ 1,000
				combined single limit		
CNA Insurance Co.	Property-all locations			\$ 99,204,622	\$ 54,642	\$ 5,000
Selective Insurance Co.	Comprehensive General Liability			\$ 1,000,000	\$ 39,287	\$ 100,000 self-insured retention
Selective Insurance Co.	Law Enforcement Liability-wrongful acts with regard to law enforcement			\$ 1,000,000	\$ 35,442	\$ 25,000
Selective Insurance Co.	Umbrella Excess Liability-bodily injury and property damage (follows general and auto liability)			\$ 10,000,000	\$ 46,148	Subject to underlying policy limits
CNA Insurance	Boiler and Machinery-all locations			\$ 30,000,000	\$ 8,080	\$ 1,000

City of Cuyahoga Falls, Ohio

Demographic Statistics 1950 - 2003

Table 20

Year	Population	Dwelling Units	Occupied Dwelling Units/ Households	Persons Per Households	Owner occupied Housing Units Percentages	Median Family Income
1950	29,195	8,985	8,693	3.40	81.80%	N/A
1960	47,922	14,192	13,732	3.37	83.18	\$ 7,738
1970	49,678	15,686	15,379	3.23	75.14	13,002
1980	43,890	17,371	16,749	2.62	69.80	22,466
1990	48,950	21,269	20,383	2.38	66.60	36,740
2000	49,374	22,727	21,655	2.26	65.70	52,372
2002	50,272	23,057	21,969	2.26	N/A	N/A
2003	50,272	23,214	22,118	2.26	N/A	N/A

Notes: Population figures were provided by the U.S. Census Bureau.
 Median family income is not available for 1950.
 The median family income for 2000 is an estimate provided by HUD.
 On July 1, 2002, an appeal was granted by the U.S. Census Bureau estimating a population of 50,272 in the City of Cuyahoga Falls. The income estimate is not available

City of Cuyahoga Falls, Ohio
Age Distribution and Population
1970, 1980, 1990 and 2000

Table 21

Age Bracket	1970		1980		1990		2000	
	Population	Percent	Population	Percent	Population	Percent	Population	Percent
0 - 4	4,316	8.70 %	2,812	6.40 %	3,525	7.20 %	3,221	6.50 %
5 - 9	5,065	10.20	2,873	6.60	3,377	6.90	3,087	6.30
10 - 14	5,280	10.60	3,213	7.30	3,230	6.60	3,014	6.10
15 - 19	4,683	9.40	3,713	8.50	3,329	6.80	2,729	5.50
20 - 24	3,695	7.40	4,145	9.40	4,015	8.20	2,928	5.90
25 - 34	6,289	12.70	7,757	17.70	4,503	9.20	7,871	15.90
35 - 44	5,990	12.10	4,347	9.90	8,566	17.50	7,932	16.10
45 - 54	6,161	12.40	4,687	10.70	4,650	9.50	6,500	13.20
55 - 64	4,072	8.20	5,013	11.40	4,944	10.10	4,129	8.40
65 - 74	2,716	5.50	3,130	7.10	5,433	11.10	4,014	8.10
75 and over	1,411	2.80	2,200	5.00	3,378	6.90	3,949	8.00
Total	49,678	100.00 %	43,890	100.00 %	48,950	100.00 %	49,374	100.00 %

Source: U.S. Census Bureau

As noted in Table 20, the U.S. Census Bureau granted an appeal on July 1, 2002, estimating the population of the City of Cuyahoga Falls at 50,272. Data is not available for age distribution and population.

City of Cuyahoga Falls, Ohio

Miscellaneous Statistics December 31, 2005

GENERAL INFORMATION

Date of incorporation	1920
Form of Government.....	Strong Mayor-Council
Council Members.....	11
Area (<i>square miles</i>)	27.8
Highest Elevation (<i>feet above sea level</i>)	1,180
Streets (miles)	282.49
Street Lights.....	5,647
Traffic Lights	77

FIRE PROTECTION

Fire Stations	4
Firefighters and Officers	82
Fire Hydrants	2,207

POLICE PROTECTION

Police Stations.....	1
Policepersons and Officers.....	96

INFRASTRUCTURE (*in miles*)

Sanitary Sewers.....	160
Storm Sewers	157
Water Mains.....	207
Electric Lines	256

RECREATION AND CULTURE

Parks	24
Acres of City Parks	507
Swimming Pools	5
Tennis Courts.....	16
Baseball Diamonds	35

PARKING FACILITIES

City Lots and Decks.....	16
Square Feet.....	387,236
Spaces	2,048
Recreation Lots	22
Square Feet.....	361,980
Spaces	1,886

Source: The following City departments: Community Development, Electric, Engineering, Finance, Parks and Recreation, Technical Services and Water/Sewer.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF CUYAHOGA FALLS

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
AUGUST 29, 2006**