



**Auditor of State  
Betty Montgomery**



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

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GREENE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Cedar Cliff Local School District  
Greene County  
PO Box 45  
Cedarville, Ohio 45314

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, (the District), as of and for the years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, as of June 30, 2005 and 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

April 26, 2006

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Cedar Cliff Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets decreased \$131,856, which represents five percent decrease from 2004.
- General revenues accounted for \$5,208,425 in revenue or 90 percent of all revenues. Program specific revenues in the form of charges for services and operating grants, interest and contributions accounted for \$570,239 or ten percent of total revenues of \$5,778,664.
- Total assets of governmental activities increased by \$220,122 as cash and cash equivalents decreased by \$22,232 and capital assets decreased by \$90,002.
- The School District had \$5,910,520 in expenses; only \$570,239 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) were \$5,208,425.
- Among major funds, the general fund had \$5,023,919 in revenues and \$5,086,725 in expenditures. The general fund's balance decreased \$62,806 from 2004.

**Using this General Accepted Accounting Principles Report (GAAP)**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non major funds presented in total in one column. In the case of Cedar Cliff Local School District, the general fund and the permanent improvement fund are the most significant funds.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and permanent improvement funds.

**Governmental Funds**

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

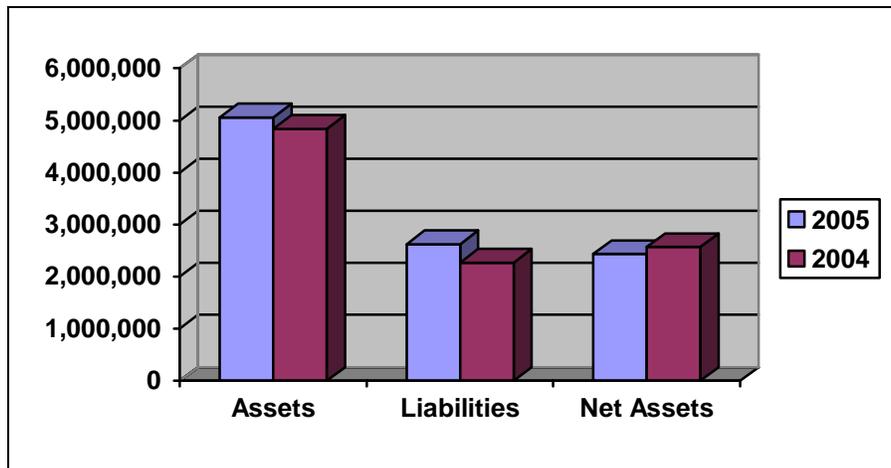
**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

**Table 1  
Net Assets**

	<b>2005</b>	<b>2004</b>
<b>Assets:</b>		
Current and Other Assets	\$3,186,792	\$2,876,668
Capital Assets	1,873,514	1,963,516
Total Assets	5,060,306	4,840,184
<b>Liabilities:</b>		
Long-Term Liabilities	445,967	422,954
Other Liabilities	2,178,828	1,849,863
Total Liabilities	2,624,795	2,272,817
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,873,514	1,963,516
Restricted	93,778	67,151
Unrestricted	468,219	536,700
Total Net Assets	\$2,435,511	\$2,567,367



As can be seen by the above table and graph, the assets of the School District are larger than the liabilities of the School District. During fiscal year 2005, total assets of governmental activities increased by \$220,122 as cash and cash equivalents decreased by \$22,232 and capital assets decreased by \$90,002. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$68,481.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2005. Since this is the second year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons are available. Therefore, a comparative analysis of district-wide data is being presented, as follows:

**Table 2  
Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$273,878	\$274,102
Operating Grants, Interest and Contributions	296,361	255,834
Capital Grants	0	15,400
Total Program Revenues	<u>570,239</u>	<u>545,336</u>
General Revenues:		
Property Taxes	1,533,403	1,451,175
Income Taxes	613,641	585,758
Grants and Entitlements	2,948,903	3,040,029
Gifts and Donations	19,130	17,145
Investment Earnings	31,642	13,824
Miscellaneous	61,706	94,474
Total General Revenues	<u>5,208,425</u>	<u>5,202,405</u>
Total Revenues	<u>5,778,664</u>	<u>5,747,741</u>
<b>Program Expenses</b>		
Instruction	3,374,011	3,273,726
Support Services:		
Pupils and Instructional Staff	513,694	443,133
Board of Education, Administration, Fiscal and Business	765,605	796,706
Operation and Maintenance of Plant	591,262	495,892
Pupil Transportation	279,350	307,865
Central	9,818	11,406
Operation of Non-instructional Services	160,798	154,839
Extracurricular Activities	215,982	217,746
Total Expenses	<u>5,910,520</u>	<u>5,701,313</u>
Increase (Decrease) in Net Assets	<u>(\$131,856)</u>	<u>\$46,428</u>

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes and income taxes made up 37 percent of revenues for governmental activities for the Cedar Cliff Local School District for fiscal year 2005.

Instruction comprises 57 percent of district expenses. Support services expenses make up 37 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Since this is the second year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons are available. Therefore, a comparative analysis of district-wide data is being presented, as follows:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$3,374,011	\$3,283,879	\$3,273,726	\$3,087,746
Support Services:				
Pupils and Instructional Staff	513,694	308,773	443,133	324,817
Board of Education, Administration, Fiscal and Business	765,605	765,605	796,706	769,988
Operation and Maintenance of Plant	591,262	591,262	495,892	495,892
Pupil Transportation	279,350	279,350	307,865	307,865
Central	9,818	(40,048)	11,406	6,406
Operation of Non-instructional Services	160,798	2,850	154,839	13,971
Extracurricular Activities	215,982	148,610	217,746	149,292
<b>Total Expenses</b>	<b>\$5,910,520</b>	<b>\$5,340,281</b>	<b>\$5,701,313</b>	<b>\$5,155,977</b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

The dependence upon tax revenues is apparent. Over 97 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 90 percent. The community, as a whole, is the primary support for the Cedar Cliff Local School District.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,779,158 and expenditures of \$5,810,269. The net change in fund balance for the year for all funds decreased by \$31,111.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of the fiscal year 2005, the School District amended its general fund budget several times during the fiscal year. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources estimate was \$4,904,904. The original budgeted estimate was \$4,839,537.

During fiscal year 2005, the School District budgeted and received \$1,316,642 and \$1,316,642 in property and other taxes.

**Capital Assets**

At the end of the fiscal year 2005, the School District had \$1,873,514 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and educational media.

Table 4 shows fiscal 2005 balances compared to 2004.

**Table 4**  
**Capital Assets (Net of Depreciation) at June 30,**

	<u>2005</u>	<u>2004</u>
Land	\$122,820	\$122,820
Land Improvements	22,983	17,106
Buildings and Improvements	1,017,009	1,077,947
Furniture and Equipment	329,558	328,371
Vehicles	305,031	327,473
Educational Media	76,083	89,799
<b>Totals</b>	<u><u>\$1,873,514</u></u>	<u><u>\$1,963,516</u></u>

Overall capital assets decreased \$90,002 from fiscal year 2004 to fiscal year 2005. Increases in capital assets (primarily improvements, equipment and vehicles) were not enough to offset the depreciation expense for the year.

For more information on capital assets, see Note 9 of the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Current Financial Issues and Concerns**

The Cedar Cliff Local School District is financially stable. The School District is proud of its community support. The voters passed a replacement of the Permanent Improvement Levy in November 2004. The biennium budget of the State for fiscal years 2006-2007 basically gave the School District no increase in state funding for the two years. This coupled with the fact that the past year also showed little increase and the income tax revenue had been declining for several years made it necessary to seek additional dollars from the voters in order to avoid a deficit in fiscal year 2008. The School District had not gone back to the voters for additional operating expenses since 1990. The voters did approve a 4.0 mill five-year operating levy in November of 2005. We are very fortunate to have our community so supportive of our schools. The School District has asked for money only when absolutely needed and the voters have never failed an operating levy. The School District also has no debt.

The administration and board of education continue to focus their efforts to make improvements in the area of curriculum. Many strategies have been implemented through the School District's Continuous Improvement Plan. The School District continues to encourage faculty through grade/subject level meetings to align curriculum with the new state standards. The administration and board of education provide funds to encourage faculty and staff to continually be involved in professional development.

In comparison to other school districts in the State, the School District would not be considered a school district of low wealth. The School District's growth in State revenue is dependent on per pupil amount, enrollment, and property wealth. The School District is for the most part considered a formula district and does usually benefit from increases in state revenue. The School District is located in a rural setting with a small village; therefore, the burden of property tax is with the taxpayers and not business tax. The School District is concerned for the next few years about the financial problems facing the State which will have an effect on school funding. This uncertainty requires management to plan carefully and prudently to ensure the resources needed to continue the level of excellence in educating its students.

In conclusion, the Cedar Cliff Local School District has committed itself to financial excellence for many years. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. However since the School District is dependant for over half of its revenue from state and federal sources, it will need to pay close attention and be involved in what is happening at the State level. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Michalski, Treasurer at Cedar Cliff Local School District, Post Office Box 45, Cedarville, Ohio 45314 or email at [ced\\_treas@mveca.org](mailto:ced_treas@mveca.org).

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$1,191,167
Cash with Fiscal Agents	46
Inventory of Supplies and Materials	7,350
Accrued Interest Receivable	1,017
Accounts Receivable	17,073
Interfund Receivable	145,277
Intergovernmental Receivable	27,832
Prepaid Items	1,318
Income Tax Receivable	239,343
Property and Other Taxes Receivable	1,556,369
Depreciable Capital Assets, Net	1,750,694
Land	122,820
<b>Total Assets</b>	<b>5,060,306</b>
 <b>Liabilities:</b>	
Accounts Payable	14,437
Accrued Wages and Benefits Payable	379,381
Contracts Payable	48,250
Interfund Payable	145,277
Intergovernmental Payable	168,907
Accrued Vacation Leave Payable	16,921
Compensated Absences Payable	12,016
Deferred Revenue	1,393,639
Long Term Liabilities:	
Due Within One Year	16,725
Due In More Than One Year	429,242
<b>Total Liabilities</b>	<b>2,624,795</b>
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,873,514
Restricted for:	
Capital Projects	62,233
Other Purposes	31,545
Unrestricted	468,219
<b>Total Net Assets</b>	<b>\$2,435,511</b>

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>
			<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$2,432,087		\$36,231
Special	427,477	\$801	53,100
Vocational	7,751		
Other	506,696		
Support Services:			
Pupils	183,665	44,830	2,936
Instructional Staff	330,029		157,155
Board of Education	40,538		
Administration	500,935		
Fiscal	223,032		
Business	1,100		
Operation and Maintenance of Plant	591,262		
Pupil Transportation	279,350		
Central	9,818	43,829	6,037
Operation of Noninstructional Services	160,798	117,046	40,902
Extracurricular Activities	215,982	67,372	
Total Governmental Activities	<u>\$5,910,520</u>	<u>\$273,878</u>	<u>\$296,361</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,349,972
Capital Outlay	183,431
Income Taxes for General Purposes	613,641
Grants and Entitlements not Restricted to Specific Programs	2,948,903
Gifts and Donations	19,130
Investment Earnings	31,642
Miscellaneous	61,706
Total General Revenues	<u>5,208,425</u>
Change in Net Assets	(131,856)
Net Assets Beginning of Year	<u>2,567,367</u>
Net Assets End of Year	<u>\$2,435,511</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$905,261	\$224,193	\$61,713	\$1,191,167
Cash with Fiscal Agents			46	46
<b>Receivables:</b>				
Property and Other Taxes	1,368,810	187,559		1,556,369
Income Taxes	239,343			239,343
Accrued Interest	1,017			1,017
Accounts	17,073			17,073
Intergovernmental			27,832	27,832
Interfund	145,277			145,277
Inventory of Supplies and Materials	4,959		2,391	7,350
Prepaid Items	887		431	1,318
<b>Total Assets</b>	<u><u>\$2,682,627</u></u>	<u><u>\$411,752</u></u>	<u><u>\$92,413</u></u>	<u><u>\$3,186,792</u></u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$11,627		\$2,810	\$14,437
Accrued Wages and Benefits Payable	357,493		21,888	379,381
Contracts Payable		48,250		48,250
Interfund Payable		135,000	10,277	145,277
Intergovernmental Payable	111,295		6,838	118,133
Deferred Revenue	1,273,146	169,952		1,443,098
Compensated Absences Payable	12,016			12,016
<b>Total Liabilities</b>	<u><u>1,765,577</u></u>	<u><u>353,202</u></u>	<u><u>41,813</u></u>	<u><u>2,160,592</u></u>
 <b>Fund Balances:</b>				
Reserved for Encumbrances	19,159	176,079	1,840	197,078
Reserved for Property Tax	118,484	17,607		136,091
Designated for Budget Stabilization	59,951			59,951
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	719,456			719,456
Special Revenue Funds			48,525	48,525
Capital Projects Funds		(135,136)	235	(134,901)
<b>Total Fund Balances</b>	<u><u>917,050</u></u>	<u><u>58,550</u></u>	<u><u>50,600</u></u>	<u><u>1,026,200</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$2,682,627</u></u>	<u><u>\$411,752</u></u>	<u><u>\$92,413</u></u>	<u><u>\$3,186,792</u></u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

Total Governmental Fund Balance		\$1,026,200
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$122,820	
Land Improvements	22,983	
Buildings	276,042	
Building Improvements	740,967	
Furniture and Equipment	329,588	
Vehicles	305,031	
Educational Media	76,083	
Total Capital Assets	1,873,514	1,873,514
<p>Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds.</p>		
Property and Other Taxes Receivable	26,639	
Accounts Receivable	1,660	
Income Taxes Receivable	21,160	
	49,459	49,459
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Intergovernmental Payable	(50,774)	
Compensated Absences	(462,888)	
Total Liabilities	(513,662)	(513,662)
Net Assets of Governmental Activities		\$2,435,511

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Taxes	\$1,344,715	\$182,261		\$1,526,976
Income Tax	613,641			613,641
Tuition and Fees	44,602			44,602
Interest	31,164		\$478	31,642
Intergovernmental	2,928,091	20,812	302,509	3,251,412
Extracurricular Activities			113,003	113,003
Charges for Services			117,046	117,046
Gifts and Donations			19,130	19,130
Rent	39			39
Miscellaneous	61,667			61,667
<b>Total Revenues</b>	<u>5,023,919</u>	<u>203,073</u>	<u>552,166</u>	<u>5,779,158</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,276,934	52,506	39,868	2,369,308
Special	368,496		55,700	424,196
Vocational	7,813			7,813
Other	506,696			506,696
Support Services:				
Pupils	123,348		58,539	181,887
Instructional Staff	183,128	971	151,110	335,209
Board of Education	39,886	604		40,490
Administration	494,302	3	547	494,852
Fiscal	217,493	2,787		220,280
Business	1,100			1,100
Operation and Maintenance of Plant	453,757	90,843		544,600
Pupil Transportation	267,305			267,305
Central	5,374		4,444	9,818
Operation of Noninstructional Services			163,388	163,388
Extracurricular Activities	141,093		67,372	208,465
Capital Outlay		34,862		34,862
<b>Total Expenditures</b>	<u>5,086,725</u>	<u>182,576</u>	<u>540,968</u>	<u>5,810,269</u>
Net Change in Fund Balances	(62,806)	20,497	11,198	(31,111)
Fund Balances at Beginning of Year	<u>979,856</u>	<u>38,053</u>	<u>39,402</u>	<u>1,057,311</u>
Fund Balances at End of Year	<u><u>\$917,050</u></u>	<u><u>\$58,550</u></u>	<u><u>\$50,600</u></u>	<u><u>\$1,026,200</u></u>

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$31,111)

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. In the current period, these amounts are:

Capital Outlay	\$103,061	
Depreciation Expense	(191,604)	
Excess of Depreciation over Capital Outlay		(88,543)

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on sale of capital assets		(1,459)
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Some revenues that will not be collected for several months after the School District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

Property Taxes	6,427	
Accounts	(773)	
Intergovernmental	(6,148)	
		(494)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Intergovernmental Payable	14,744	
Increase in Compensated Absences Payable	(24,993)	
		(10,249)

Change in Net Assets of Governmental Activities		(\$131,856)
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*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property and Other Taxes	\$1,239,706	\$1,316,642	\$1,316,642	
Income Tax	550,000	550,000	602,749	\$52,749
Tuition and Fees	32,000	29,094	43,294	14,200
Interest	15,000	15,000	30,147	15,147
Intergovernmental	2,946,931	2,913,301	2,925,320	12,019
Rent	500	500	39	(461)
Miscellaneous	55,300	47,946	47,752	(194)
Total Revenues	<u>4,839,437</u>	<u>4,872,483</u>	<u>4,965,943</u>	<u>93,460</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,280,669	2,200,677	2,304,031	(103,354)
Special	319,219	355,120	366,573	(11,453)
Vocational	4,515	9,718	9,492	226
Other	603,750	590,720	516,696	74,024
<b>Support Services:</b>				
Pupils	130,924	126,546	122,718	3,828
Instructional Staff	182,917	182,847	178,933	3,914
Board of Education	48,821	46,628	40,205	6,423
Administration	534,485	504,856	506,685	(1,829)
Fiscal	251,255	229,511	213,802	15,709
Business	3,284	3,071	526	2,545
Operation and Maintenance of Plant	517,326	500,179	461,987	38,192
Pupil Transportation	281,296	281,012	268,886	12,126
Central	10,273	7,690	5,374	2,316
Extracurricular Activities	151,701	146,587	140,713	5,874
Capital Outlay	5,130	960		960
Total Expenditures	<u>5,325,565</u>	<u>5,186,122</u>	<u>5,136,621</u>	<u>49,501</u>
Excess of Revenues Over (Under) Expenditures	(486,128)	(313,639)	(170,678)	142,961
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	100			
Refund of Prior Year Expenditures		27,297	28,814	1,517
Advances - In		5,124	5,124	
Advances - Out		(139,443)	(145,277)	(5,834)
Total Other Financing Sources (Uses)	<u>100</u>	<u>(107,022)</u>	<u>(111,339)</u>	<u>(4,317)</u>
Net Change in Fund Balance	(486,028)	(420,661)	(282,017)	138,644
Fund Balance at Beginning of Year	1,078,427	1,078,427	1,078,427	
Prior Year Encumbrances Appropriated	58,020	58,020	58,020	
Fund Balance at End of Year	<u>\$650,419</u>	<u>\$715,786</u>	<u>\$854,430</u>	<u>\$138,644</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$20,497
	\$500	\$20,497
<b>Liabilities:</b>		
Deposits Held and Due to Students		20,497
Total Liabilities		\$20,497
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$500	

*See accompanying notes to the basic financial statements.*

CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and Donations	\$500
<b>Deletions:</b>	
Payments in Accordance with Trust Agreements	500
Change in Net Assets	
Net Assets Beginning of Year	500
Net Assets End of Year	<u><u>\$500</u></u>

*See accompanying notes to the basic financial statements.*

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Cedar Cliff Local School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies.

The School District serves an area of approximately 49 square miles. It is staffed by 26 non-certified employees, 48 certified full time teaching personnel, including 4 administrators, who provide services to 669 students and other community members. The School District currently operates 2 instructional/support facilities.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Cedar Cliff Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 15 and 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)
- Greene County Career Center

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cedar Cliff Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide 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.

**1. Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type. The government-wide statements also exclude fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements:**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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 purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Fund** – The permanent improvement capital projects fund accounts for a property tax levy to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the private purpose trust fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Fund Types:**

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. The School District's only trust fund is a private purpose trust which accounts for various college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

**1. Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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. The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. 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. 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 School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District 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 fiscal year-end: property taxes available as an advance, income tax, tuition, student fees, interest, grants, charges for services, gifts and donations and rent.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts 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.

**3. Expenses/Expenditures:**

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

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

**E. Budgetary Data**

All funds, other than the agency fund are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents." During fiscal year 2005, the School District did not have any investments outstanding.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$31,164, which includes \$4,296 assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**G. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**H. Inventory of Supplies and Materials**

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption and purchased foods held for resale.

**I. Capital Assets and Depreciation**

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	99 years
Building Improvements	20 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10-20 years
Educational Media	6-15 years

**J. Accrued Liabilities and Long-Term Obligations**

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

In general, 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 governmental funds. However, compensated absences paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the funds from which the employees will be paid.

**L. Interfund Transactions**

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves and Designation**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property tax. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amount.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The designation for budget stabilization represents money set-aside by the Board of Education in excess of what is required by statute.

**N. Net Assets**

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

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

**O. 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.

**3. ACCOUNTABILITY**

**A. Accountability**

At June 30, 2005, the title I special revenue fund had a deficit fund balance of \$833. The general fund provides transfers to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the general fund.

<b>Net Change in Fund Balance</b>	
GAAP Basis	(\$62,806)
Net Adjustment for Revenue Accruals	(29,162)
Net Adjustment for Expenditure Accruals	(17,324)
Advances	(140,153)
Adjustment for Encumbrances	(32,572)
Budget Basis	<u><u>(\$282,017)</u></u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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, but not limited to, passbook accounts.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Cash on Hand:** At fiscal year end, the School District had \$50 in undeposited cash in hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,212,160 and the bank balance was \$1,244,196. \$200,000 of the bank balance was covered by Federal Depository Insurance and the remainder was considered uninsured and uncollateralized as defined by GASB Statement No. 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments:** The School District had no investments at June 30, 2005.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$118,484 in the general fund and \$17,607 in the permanent improvement capital projects fund. On a full accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$62,831,780	90.44%	\$64,384,080	90.87%
Tangible Personal Property	6,640,654	9.56	6,472,054	9.13
Total Assessed Value	<u>\$69,472,434</u>	<u>100.00%</u>	<u>\$70,856,134</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$35.55	

**7. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$613,641 was credited to the general fund during fiscal year 2005.

**8. RECEIVABLES**

Receivables at June 30, 2005, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and interfund. A summary of the principle items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Non-major Funds	
Ohio Reads	\$1,296
Student Intervention	5,744
IDEA, Part B	7,421
Title I	6,871
Title II-A	6,500
Total Non-major Funds	<u>27,832</u>
Total Intergovernmental Receivables	<u>\$27,832</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<b>Balance 6/30/2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2005</b>
Capital Asset, not Being Depreciated:				
Land	\$122,820	\$0	\$0	\$122,820
Capital Assets, Being Depreciated:				
Land Improvements	37,898	7,405	0	45,303
Buildings	951,849	0	0	951,849
Building Improvements	1,025,092	8,991	0	1,034,083
Equipment	838,258	86,665	39,398	885,525
Vehicles	448,833	0	0	448,833
Educational Media	138,980	0	0	138,980
Total Capital Assets, Being Depreciated	<u>3,440,910</u>	<u>103,061</u>	<u>39,398</u>	<u>3,504,573</u>
Less: Accumulated Depreciation:				
Land Improvements	(20,792)	(1,528)	0	(22,320)
Buildings	(656,479)	(19,328)	0	(675,807)
Building Improvements	(242,515)	(50,601)	0	(293,116)
Equipment	(509,887)	(83,989)	37,939	(555,937)
Vehicles	(121,360)	(22,442)	0	(143,802)
Educational Media	(49,181)	(13,716)	0	(62,897)
Total Accumulated Depreciation	<u>(1,600,214)</u>	<u>(191,604)</u>	<u>37,939</u>	<u>(1,753,879)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,963,516</u>	<u>(\$88,543)</u>	<u>(\$1,459)</u>	<u>\$1,873,514</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$78,801
Special	1,729
Vocational	874
Support Services:	
Pupils	1,980
Instructional Staff	5,438
Administration	5,496
Fiscal	2,756
Operation and Maintenance of Plant	63,672
Pupil Transportation	18,313
Extracurricular Activities	8,340
Operation of Non-Instructional Services	4,205
Total Depreciation Expense	<u>\$191,604</u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Indiana Insurance Company for property and fleet insurance, while the School District contracted with Great American Alliance Insurance Company for liability insurance and inland coverage.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

Coverages provided by Indiana Insurance and Great American Alliance Insurance Company are as follows:

Building and Contents – replacement cost (\$500 deductible)	\$13,296,023
Inland Marine Coverage (\$250 deductible)	308,023
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	3,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from prior years.

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$75,013, \$64,443, and \$76,195, respectively; 52.43 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$327,585, \$315,009, and \$321,444, respectively; 83.77 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The School District's contributions to the DC Plan for fiscal year 2005 were \$3,770. The School District did not make any contributions to the Combined Plan.

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$25,199 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004 (the latest information available), net health care costs paid by STRS Ohio were \$268.7 million and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, which was a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, surcharge is capped at two percent of employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$55,189.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 (the latest information available), SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is not paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 232 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all certified employees and 47.75 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance, dental insurance, and accidental death and dismemberment insurance to most employees through CoreSource. Medical/surgical benefits are provided through United Health Care of Ohio. Vision insurance is provided through Vision Service Plan of Ohio.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<b>Amount Outstanding 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/05</b>	<b>Amounts Due in One Year</b>
Compensated Absences	\$422,954	\$445,967	\$422,954	\$445,967	\$16,725

Compensated absences will be paid from the funds from which the employees' salaries are paid.

At June 30, 2005, the School District's overall legal debt limitation was \$6,377,052, and the unvoted debt margin was \$70,856.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**15. JOINTLY GOVERNED ORGANIZATIONS**

**Miami Valley Educational Computer Association (MVECA)** – The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$17,971 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

**Southwestern Ohio Educational Purchasing Council** –The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$63,258 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member's schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA \$1,861 for services provided during the year. To obtain financial information, write to Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Greene County Career Center** – The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. The Cedar Cliff Local School District did not contribute any money to the Greene County Career Center during the 2005 fiscal year.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a 14 member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**17. SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2004	\$23,882	\$0
Current Year Set-aside Requirement	88,795	88,795
Carryover from Prior Year	0	(353,328)
Qualifying Disbursements	(191,102)	(135,545)
Current Year Offsets	0	(176,140)
Set-aside Reserve Balance as of June 30, 2005	\$0	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	(\$78,425)	(\$576,218)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and instructional materials and capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**18. INTERFUND ASSETS/LIABILITIES**

The interfund balances at June 30, 2005 were as follows:

	<b>Interfund Receivable</b>
<b>Interfund Payable</b>	<b>General</b>
Permanent Improvement Non-major Governmental Funds	\$135,000
Ohio Reads	\$1,296
Student Intervention	5,744
Title IIA	3,237
Total Non-major Governmental Funds	\$10,277

The interfund transactions between general and the non-major special revenue funds and capital project fund are due to the timing of the receipt of grant monies and tax revenue.

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the School District had contractual purchase commitments of \$166,475 with Midwest Maintenance for improvements to the school building.

**20. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

On October 11, 2005, a former employee filed a suit in the Greene County Common Pleas Court alleging discrimination on the basis of race. The Board is vigorously defending the case. The parties are proceeding with discovery. No trial date has yet been set.

**21. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The discussion and analysis of Cedar Cliff Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$46,428, which represents a one percent decrease from 2003.
- General revenues accounted for \$5,202,405 in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services and operating grants, interest and contributions and capital grants accounted for \$545,336 or nine percent of total revenues of \$5,747,741.
- Total assets of governmental activities increased by \$104,206 as cash and cash equivalents increased by \$131,585 and capital assets increased by \$13,041.
- The School District had \$5,701,313 in expenses; only \$545,336 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) were \$5,202,405.
- Among major funds, the general fund had \$5,054,438 in revenues and \$4,965,972 in expenditures. The general fund's balance increased \$88,466 over 2003.

**Using this General Accepted Accounting Principles Report (GAAP)**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non major funds presented in total in one column. In the case of Cedar Cliff Local School District, the general fund is the most significant fund.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

**Reporting the School District's Most Significant Fund**

**Fund Financial Statements**

The analysis of the School District's major fund begins on page 51. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the general fund.

**Governmental Funds**

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

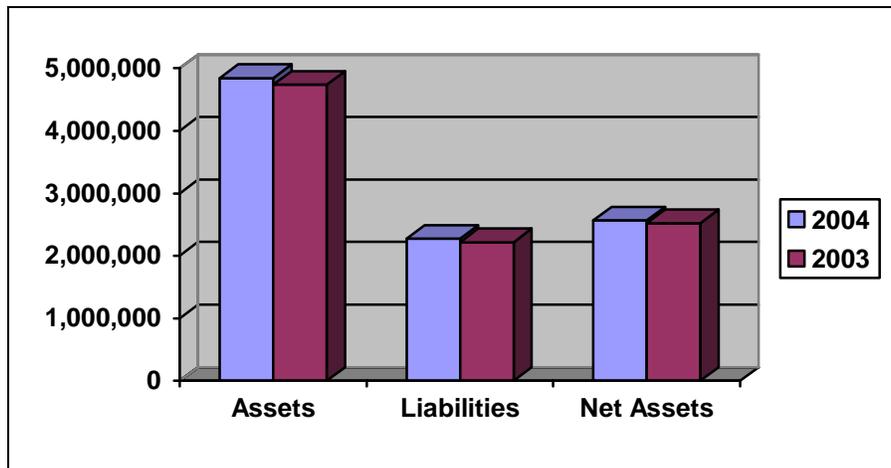
**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**Table 1  
Net Assets**

	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
Current and Other Assets	\$2,876,668	\$2,785,503
Capital Assets	1,963,516	1,950,475
Total Assets	4,840,184	4,735,978
 <b>Liabilities:</b>		
Long-Term Liabilities	422,954	376,031
Other Liabilities	1,849,863	1,839,008
Total Liabilities	2,272,817	2,215,039
 <b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,963,516	1,950,475
Restricted	67,151	93,651
Unrestricted	536,700	476,813
Total Net Assets	\$2,567,367	\$2,520,939



As can be seen by the above table and graph, the assets of the School District are larger than the liabilities of the School District. During fiscal year 2004, total assets of governmental activities increased by \$104,206 as cash and cash equivalents increased by \$131,585 and capital assets increased by \$13,041. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$59,887.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

**Table 2  
Changes in Net Assets**

	<b>2004</b>
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$274,102
Operating Grants, Interest and Contributions	255,834
Capital Grants	15,400
Total Program Revenues	545,336
General Revenues:	
Property Taxes	1,451,175
Income Taxes	585,758
Grants and Entitlements	3,040,029
Gifts and Donations	17,145
Investment Earnings	13,824
Miscellaneous	94,474
Total General Revenues	5,202,405
Total Revenues	5,747,741
 <b>Program Expenses</b>	
Instruction	3,273,726
Support Services:	
Pupils and Instructional Staff	443,133
Board of Education, Administration, Fiscal and Business	796,706
Operation and Maintenance of Plant	495,892
Pupil Transportation	307,865
Central	11,406
Operation of Non-instructional Services	154,839
Extracurricular Activities	217,746
Total Expenses	5,701,313
Increase in Net Assets	\$46,428

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes and income taxes made up 35 percent of revenues for governmental activities for the Cedar Cliff Local School District for fiscal year 2004.

Instruction comprises 57 percent of district expenses. Support services expenses make up 37 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Comparisons to 2003 have not been made because the data is not available.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$3,273,726	\$3,087,746
Support Services:		
Pupils and Instructional Staff	443,133	324,817
Board of Education, Administration, Fiscal and Business	796,706	769,988
Operation and Maintenance of Plant	495,892	495,892
Pupil Transportation	307,865	307,865
Central	11,406	6,406
Operation of Non-Instructional Services	154,839	13,971
Extracurricular Activities	<u>217,746</u>	<u>149,292</u>
Total Expenses	<u>\$5,701,313</u>	<u>\$5,155,977</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

The dependence upon tax revenues is apparent. Over 94 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 91 percent. The community, as a whole, is the primary support for the Cedar Cliff Local School District.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**The School District's Funds**

Information about the School District's major funds starts on page 51. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,749,159 and expenditures of \$5,637,799. The net change in fund balance for the year for all funds increased by \$106,360.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of the fiscal year 2004, the School District amended its general fund budget several times during the fiscal year. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources estimate was \$4,647,416. The original budgeted estimate was \$4,580,342.

During fiscal year 2004, the School District budgeted and received \$1,147,754 and \$1,291,801 in property and other taxes.

**Capital Assets**

At the end of the fiscal year 2004, the School District had \$1,963,516 invested in land, land improvements, buildings and improvements, furniture, fixture, and equipment, and vehicles.

Able 4 shows fiscal 2004 balances compared to 2003.

**Table 4  
Capital Assets (Net of Depreciation) at June 30,**

	<b>2004</b>	<b>2003</b>
Land	\$122,820	\$39,350
Land Improvements	17,106	18,223
Buildings and Improvements	1,077,947	1,110,815
Furniture and Equipment	328,371	386,773
Vehicles	327,473	291,799
Educational Media	89,799	103,515
<b>Totals</b>	<b>\$1,963,516</b>	<b>\$1,950,475</b>

Overall capital assets increased \$13,041 from fiscal year 2003 to fiscal year 2004.

For more information on capital assets, see Note 10 of the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Current Financial Issues and Concerns**

The Cedar Cliff Local School District is financially stable. The district is proud of its community support. The voters passed a replacement of the Permanent Improvement Levy in November 2004. The district has not gone back to the voters for additional operating expenses since 1990 and it has no debt. The recent developments of the Ohio General Assembly related to education finance are of great concern to the Board of Education and Administration of this School District. The legislature has effected a change in the state funding formula whereby declines in student enrollment are immediately translated into funding declines. In the past, a three year average of enrollment helped to mollify the effects of declining enrollment. The General Assembly also reduced their funds to schools in January and March of 2004. The district is dependant for over half its funding from State and Federal Funds. It is prudent for the board and administration to communicate to our legislators our needs so that we can continue to receive the level of funding necessary for student achievement.

The administration and board of education continue to focus their efforts to make improvements in the area of curriculum. Many strategies have been implemented through the district's Continuous Improvement Plan. The district continues to encourage faculty through grade/subject level meetings to align curriculum with the new state standards. The administration and board of education provide funds to encourage faculty and staff to continually be involved in professional development.

In comparison to other school districts in the State, the School District would not be considered a school district of low wealth. The School District's growth in State revenue is dependent on per pupil amount, enrollment, and property wealth. The District is for the most part considered a formula district and does usually benefit from increases in state revenue. The District is located in a rural setting with a small village; therefore, the burden of property tax is with the taxpayers and not business tax. The District is concerned for the next few years about the financial problems facing the State which will have an effect on school funding. This uncertainty requires management to plan carefully and prudently to ensure the resources needed to continue the level of excellence in educating its students.

In conclusion, the Cedar Cliff Local School District has committed itself to financial excellence for many years. In addition, the school district's system of financial planning, budgeting, and internal financial controls are well regarded. However since the district is dependant for over half of its revenue from state and federal sources, it will need to pay close attention and be involved in what is happening at the State level. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Michalski, Treasurer at Cedar Cliff Local School District, Post Office Box 45, Cedarville, Ohio 45314 or email at [ced\\_treas@mveca.org](mailto:ced_treas@mveca.org).

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$1,213,445
Inventory of Supplies and Materials	7,094
Accounts Receivable	31,437
Interfund Receivable	5,124
Intergovernmental Receivable	20,337
Prepaid Items	1,565
Income Tax Receivable	228,451
Property and Other Taxes Receivable	1,345,333
Restricted Cash and Cash Equivalents	23,882
Depreciable Capital Assets, Net	1,840,696
Land	122,820
<b>Total Assets</b>	<b>4,840,184</b>
<b>Liabilities:</b>	
Accounts Payable	5,590
Accrued Wages and Benefits Payable	388,019
Interfund Payable	5,124
Intergovernmental Payable	176,985
Accrued Vacation Leave Payable	14,941
Compensated Absences Payable	35,981
Deferred Revenue	1,223,223
Long Term Liabilities:	
Due Within One Year	36,448
Due In More Than One Year	386,506
<b>Total Liabilities</b>	<b>2,272,817</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,963,516
Restricted for:	
Capital Projects	43,154
Other Purposes	23,997
Unrestricted	536,700
<b>Total Net Assets</b>	<b>\$2,567,367</b>

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$2,406,885	\$46,412	\$40,467	\$15,400	(\$2,304,606)
Special	395,853		72,012		(323,841)
Vocational	1,810				(1,810)
Other	469,178		11,689		(457,489)
<b>Support Services:</b>					
Pupils	145,146	26,717	2,453		(115,976)
Instructional Staff	297,987		89,146		(208,841)
Board of Education	40,747				(40,747)
Administration	526,107	26,718			(499,389)
Fiscal	229,433				(229,433)
Business	419				(419)
Operation and Maintenance of Plant	495,892				(495,892)
Pupil Transportation	307,865				(307,865)
Central	11,406		5,000		(6,406)
Operation of Non-Instructional Services	154,839	105,801	35,067		(13,971)
Extracurricular Activities	217,746	68,454			(149,292)
Total Governmental Activities	<u>\$5,701,313</u>	<u>\$274,102</u>	<u>\$255,834</u>	<u>\$15,400</u>	<u>(5,155,977)</u>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	1,290,251
Capital Outlay	160,924
Income Taxes for General Purposes	585,758
Grants and Entitlements not Restricted to Specific Programs	3,040,029
Gifts and Donations	17,145
Investment Earnings	13,824
Miscellaneous	94,474
Total General Revenues	<u>5,202,405</u>
Change in Net Assets	46,428
Net Assets Beginning of Year - Restated (See Note 3)	<u>2,520,939</u>
Net Assets End of Year	<u>\$2,567,367</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,130,827	\$82,618	\$1,213,445
Receivables:			
Property Taxes	1,271,552	73,781	1,345,333
Income Taxes	228,451		228,451
Accounts	31,437		31,437
Intergovernmental		20,337	20,337
Interfund	5,124		5,124
Inventory of Supplies and Materials	5,383	1,711	7,094
Prepaid Items	1,170	395	1,565
Restricted Assets:			
Cash and Cash Equivalents	23,882		23,882
<b>Total Assets</b>	<u><u>\$2,697,826</u></u>	<u><u>\$178,842</u></u>	<u><u>\$2,876,668</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$5,388	\$202	\$5,590
Accrued Wages and Benefits Payable	363,362	24,657	388,019
Interfund Payable		5,124	5,124
Intergovernmental Payable	108,503	2,964	111,467
Deferred Revenue	1,204,734	68,442	1,273,176
Compensated Absences Payable	35,981		35,981
<b>Total Liabilities</b>	<u><u>1,717,968</u></u>	<u><u>101,389</u></u>	<u><u>1,819,357</u></u>
 <b>Fund Balances</b>			
Reserved for Encumbrances	52,632	9,219	61,851
Reserved for Property Tax	90,411	11,487	101,898
Reserved for Textbooks/Instructional Materials	23,882		23,882
Designated for Budget Stabilization	59,951		59,951
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	752,982		752,982
Special Revenue Funds		35,339	35,339
Capital Projects Funds		21,408	21,408
<b>Total Fund Balances</b>	<u><u>979,858</u></u>	<u><u>77,453</u></u>	<u><u>1,057,311</u></u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$2,697,826</u></u>	<u><u>\$178,842</u></u>	<u><u>\$2,876,668</u></u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balance		\$1,057,311
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$122,820	
Land Improvements	17,106	
Buildings	295,370	
Building Improvements	782,577	
Furniture and Equipment	328,371	
Vehicles	327,473	
Educational Media	89,799	
Total Capital Assets	1,963,516	1,963,516
<p>Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds.</p>		
Property Taxes Receivable	20,212	
Intergovernmental Receivable	6,148	
Accounts Receivable	2,433	
Income Taxes Receivable	21,160	
	49,953	49,953
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Intergovernmental Payable	(65,518)	
Compensated Absences	(437,895)	
Total Liabilities	(503,413)	(503,413)
Net Assets of Governmental Activities		\$2,567,367

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property and Other Taxes	\$1,295,072	\$161,563	\$1,456,635
Income Tax	584,173		584,173
Tuition and Fees	44,443		44,443
Interest	13,339	485	13,824
Intergovernmental	3,021,397	283,718	3,305,115
Extracurricular Activities		121,889	121,889
Charges for Services		105,801	105,801
Gifts and Donations	880	16,265	17,145
Rent	660		660
Miscellaneous	94,474		94,474
Total Revenues	<u>5,054,438</u>	<u>689,721</u>	<u>5,744,159</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,234,512	93,858	2,328,370
Special	325,074	72,182	397,256
Vocational	1,004		1,004
Other	457,257	11,921	469,178
Support Services:			
Pupils	115,325	29,394	144,719
Instructional Staff	184,205	93,383	277,588
Board of Education	40,719		40,719
Administration	469,212	27,020	496,232
Fiscal	220,880	2,750	223,630
Business	419		419
Operation and Maintenance of Plant	427,132	124,414	551,546
Pupil Transportation	337,692		337,692
Central	6,475	4,931	11,406
Operation of Non-Instructional Services	6,310	139,197	145,507
Extracurricular Activities	133,916	77,777	211,693
Capital Outlay	840		840
Total Expenditures	<u>4,960,972</u>	<u>676,827</u>	<u>5,637,799</u>
Excess of Revenues Over Expenditures	<u>93,466</u>	<u>12,894</u>	<u>106,360</u>
Other Financing Sources (Uses):			
Transfers - In		5,000	5,000
Transfers - Out	(5,000)		(5,000)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>	<u></u>
Net Change in Fund Balances	88,466	17,894	106,360
Fund Balances at Beginning of Year	<u>891,392</u>	<u>59,559</u>	<u>950,951</u>
Fund Balances at End of Year	<u>\$979,858</u>	<u>\$77,453</u>	<u>\$1,057,311</u>

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$106,360

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. In the current period, these amounts are:

Capital Outlay	\$156,211	
Depreciation Expense	(198,521)	
Excess of Depreciation over Capital Outlay		(42,310)

Some revenues that will not be collected for several months after the School District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

Property Taxes	(5,460)	
Income Taxes	1,585	
Accounts	1,309	
Intergovernmental	6,148	
		3,582

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Intergovernmental Payable	(17,554)	
Decrease in Compensated Absences Payable	(3,650)	
		(21,204)

Change in Net Assets of Governmental Activities \$46,428

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property and Other Taxes	\$1,138,527	\$1,147,754	\$1,291,801	\$144,047
Income Tax	536,436	514,258	567,113	52,855
Tuition and Fees	27,521	38,545	45,289	6,744
Interest	28,919	14,237	14,076	(161)
Intergovernmental	2,712,509	2,780,873	3,020,135	239,262
Gifts and Donations			880	880
Rent	1,449	1,464	660	(804)
Miscellaneous	44,981	51,547	69,249	17,702
Total Revenues	<u>4,490,342</u>	<u>4,548,678</u>	<u>5,009,203</u>	<u>460,525</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,213,083	2,255,258	2,180,341	74,917
Special	324,568	339,187	327,573	11,614
Vocational	6,046	8,553	8,553	
Other	581,108	554,878	467,257	87,621
<b>Support Services:</b>				
Pupils	128,796	125,151	120,275	4,876
Instructional Staff	197,482	193,691	187,475	6,216
Board of Education	49,406	41,939	35,420	6,519
Administration	500,472	474,373	451,687	22,686
Fiscal	259,459	252,386	226,211	26,175
Business	3,225	3,200	993	2,207
Operation and Maintenance of Plant	488,277	481,483	459,398	22,085
Pupil Transportation	356,646	343,932	337,567	6,365
Central	12,481	9,320	7,087	2,233
Extracurricular Activities	138,036	136,255	133,751	2,504
Capital Outlay	5,861	3,140	840	2,300
Total Expenditures	<u>5,264,946</u>	<u>5,222,746</u>	<u>4,944,428</u>	<u>278,318</u>
Excess of Revenues Over (Under) Expenditures	(774,604)	(674,068)	64,775	738,843
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures		8,738	8,738	
Advances - In	90,000	90,000	90,000	
Advances - Out		(95,200)	(95,124)	76
Transfers - Out		(5,000)	(5,000)	
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>(1,462)</u>	<u>(1,386)</u>	<u>76</u>
Net Change in Fund Balance	(684,604)	(675,530)	63,389	738,919
Fund Balance at Beginning of Year	932,218	932,218	932,218	
Prior Year Encumbrances Appropriated	82,818	82,818	82,818	
Fund Balance at End of Year	<u>\$330,432</u>	<u>\$339,506</u>	<u>\$1,078,425</u>	<u>\$738,919</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$28,442
<b>Total Assets</b>	<b>\$500</b>	<b>\$28,442</b>
<b>Liabilities:</b>		
Deposits Held and Due to Students		28,442
<b>Total Liabilities</b>		<b>\$28,442</b>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<b>\$500</b>	

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and Donations	\$500
<b>Deletions:</b>	
Payments in Accordance with Trust Agreements	1,000
Change in Net Assets	(500)
Net Assets Beginning of Year	1,000
Net Assets End of Year	\$500

*See accompanying notes to the basic financial statements.*

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Cedar Cliff Local School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies.

The School District serves an area of approximately 49 square miles. It is staffed by 25 non-certified employees, 48 certified full time teaching personnel, including 4 administrators, who provide services to 662 students and other community members. The School District currently operates 2 instructional/support facilities.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Cedar Cliff Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 and 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)
- Greene County Career Center

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cedar Cliff Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide 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.

**1. Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type. The government-wide statements also exclude fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements:**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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 purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Fund Types:**

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. The School District's only trust fund is a private purpose trust which accounts for various college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

**1. Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**2. 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. The private purpose trust fund is reported using the economic resources measurement focus.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. 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. 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 School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District 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 fiscal year-end: property taxes available as an advance, income tax, tuition, student fees, interest, grants, charges for services, gifts and donations and rent.

**2. 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 June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Expenses/Expenditures:**

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

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

**E. Budgetary Data**

All funds, other than the agency fund are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents." During fiscal year 2004, the School District did not have any investments outstanding.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$13,339, which includes \$1,286 assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**H. Inventory of Supplies and Materials**

Inventories are presented at cost on a first-in, first-out basis and are expended when used. Inventory consists of expendable supplies held for consumption and purchased foods held for resale.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for textbooks/instructional materials.

**J. Capital Assets and Depreciation**

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	99 years
Building Improvements	20 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10-20 years
Educational Media	6-15 years

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, 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 governmental funds. However, matured compensated absences and contractually required pension contributions 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 in the current fiscal year.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the funds from which the employees will be paid.

**M. Interfund Transactions**

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

**N. Fund Balance Reserves and Designation**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property tax, and textbooks/instructional materials. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amount.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks/instructional materials represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents money set-aside by the Board of Education in excess of what is required by statute.

**O. Net Assets**

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

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

**P. 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.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS**

For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

**GASB Statement No. 34** creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

**GASB Statement No. 37** clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds.

**GASB Statement No. 38** modifies, establishes and rescinds certain financial note disclosures.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS (Continued)**

**GASB Statement No. 39** states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the School District.

**GASB Statement No. 41** allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund.

**GASB Interpretation No. 6** clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures that potentially could arise, in interpretation and practice.

The implementation of Statement Nos. 37, 38, 39 and 41 had no effect on fund balances as they were previously reported.

During fiscal year 2004, the food service enterprise fund was reclassified to a special revenue fund and is considered a non-major fund under the guidelines of GASB Statement No. 34. The implementation of Statement No. 34 and Interpretation No. 6 had the following effects on fund balance of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Non-major</u>	<u>Totals</u>
Fund Balances/Retained Earnings June 30, 2003	\$888,114	\$76,987	\$965,101
Interpretation No. 6	3,278	1,893	5,171
Fund Type Reclassification	0	(19,321)	(19,321)
Adjusted Fund Balances June 30, 2003	<u>\$891,392</u>	<u>\$59,559</u>	950,951
<b>GASB 34 Adjustments:</b>			
Accounts Receivables			1,124
Property and Other Local Taxes Receivable			25,672
Income Taxes Receivable			19,575
Capital Assets			1,950,475
Intergovernmental Payable			(36,219)
Vacation Leave Payable			(14,608)
Compensated Absences Payable			(376,031)
Governmental Activities Net Assets June 30, 2003			<u>\$2,520,939</u>

**4. FUND DEFICITS**

At June 30, 2004, the student intervention, IDEA Part B, title I and title II-A special revenue funds had deficit fund balances of \$3,661, \$2,327, \$263 and \$607, respectively. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the general fund.

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$88,466
Net Adjustment for Revenue Accruals	(36,497)
Net Adjustment for Expenditure Accruals	74,564
Advances	(5,124)
Adjustment for Encumbrances	(58,020)
Budget Basis	<u><u>\$63,389</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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, but not limited to, passbook accounts.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Cash on Hand:** At fiscal year end, the School District had \$50 in undeposited cash in hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,266,219 and the bank balance was \$1,367,520. \$200,000 of the bank balance was covered by Federal Depository Insurance and the remainder was considered uninsured and uncollateralized as defined by GASB Statement No. 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments:** The School District had no investments at June 30, 2004.

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$90,411 in the general fund and \$11,487 in the permanent improvement capital projects fund. On a full accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$61,758,250	90.29%	\$62,831,780	90.44%
Tangible Personal Property	6,640,654	9.71	6,640,654	9.56
Total Assessed Value	<u>\$68,398,904</u>	<u>100.00%</u>	<u>\$69,472,434</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$35.55	

**8. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on 1/1/91, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$584,173 was credited to the general fund during fiscal year 2004.

**9. RECEIVABLES**

Receivables at June 30, 2004, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and interfund.

A summary of the principle items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Non-major Funds	
Student Intervention	\$3,886
IDEA, Part B	4,074
Title I	11,677
Title II-A	700
Total Non-major Funds	<u>20,337</u>
Total Intergovernmental Receivables	<u>\$20,337</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<b>Restated Balance 6/30/2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/04</b>
Capital Asset, not Being Depreciated:				
Land	\$39,350	\$83,470	\$0	\$122,820
Capital Assets, Being Depreciated:				
Land Improvements	37,898	0	0	37,898
Buildings	943,999	7,850	0	951,849
Building Improvements	996,934	28,158	0	1,025,092
Equipment	970,146	55,527	187,415	838,258
Vehicles	401,345	64,676	17,188	448,833
Educational Media	138,980	0	0	138,980
Total Capital Assets, Being Depreciated	<u>3,489,302</u>	<u>156,211</u>	<u>204,603</u>	<u>3,440,910</u>
Less: Accumulated Depreciation:				
Land Improvements	(19,675)	(1,117)	0	(20,792)
Buildings	(637,151)	(19,328)	0	(656,479)
Building Improvements	(192,967)	(49,548)	0	(242,515)
Equipment	(583,373)	(94,476)	167,962	(509,887)
Vehicles	(109,546)	(20,336)	8,522	(121,360)
Educational Media	(35,465)	(13,716)	0	(49,181)
Total Accumulated Depreciation	<u>(1,578,177)</u>	<u>(198,521)</u>	<u>176,484</u>	<u>(1,600,214)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,911,125</u>	<u>(42,310)</u>	<u>28,119</u>	<u>1,840,696</u>
Governmental Activities, Capital Assets, Net	<u>\$1,950,475</u>	<u>\$41,160</u>	<u>\$28,119</u>	<u>\$1,963,516</u>

\*Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$89,694
Special	1,326
Vocational	806
<b>Support Services:</b>	
Pupils	1,766
Instructional Staff	4,877
Administration	5,655
Fiscal	3,340
Operation and Maintenance of Plant	62,173
Pupil Transportation	16,208
Extracurricular Activities	8,360
Operation of Non-Instructional Services	4,316
Total Depreciation Expense	<u>\$198,521</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance Company for property and fleet insurance, while the School District contracted with Great American Alliance Insurance Company for liability insurance and inland coverage.

Coverages provided by Indiana Insurance and Great American Alliance Insurance Company are as follows:

Building and Contents – replacement cost (\$500 deductible)	\$13,296,023
Inland Marine Coverage (\$250 deductible)	308,023
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	3,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
<b>General Liability</b>	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from prior years.

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP), a workers' compensation insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9.09 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$64,443, \$76,195, and \$23,866, respectively; 52.32 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$315,009, \$321,444, and \$195,862, respectively; 82.95 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The School District's contributions to the DC Plan for fiscal year 2004 were \$5,306. The School District did not make any contributions to the Combined Plan.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$24,231 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268.7 million and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$68,775.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**14. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is not paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 232 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all certified employees and 47.75 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance, dental insurance, and accidental death and dismemberment insurance to most employees through CoreSource. Medical/surgical benefits are provided through United Health Care of Ohio. Vision insurance is provided through Vision Service Plan of Ohio.

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<b>Restated Amount Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/04</b>	<b>Amounts Due in One Year</b>
Compensated Absences	\$376,031	\$61,025	\$14,102	\$422,954	\$36,448

Compensated absences will be paid from the funds from which the employees' salaries are paid.

At June 30, 2004, the School District's overall legal debt limitation was \$6,252,519, and the unvoted debt margin was \$69,472.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**Miami Valley Educational Computer Association (MVECA)** - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$17,436 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the general fund. During fiscal year 2004, the School District paid \$2,273 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA members schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA \$574 for services provided during the year. To obtain financial information, write to Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Greene County Career Center** - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. The Cedar Cliff Local School District did not contribute any money to the Greene County Career Center during the 2004 fiscal year.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a 14 member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**18. SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2003	\$46,042	\$0
Current Year Set-aside Requirement	87,336	87,336
Carryover from Prior Year	0	(132,374)
Qualifying Disbursements	(109,496)	(150,013)
Current Year Offsets	0	(158,277)
Set-aside Reserve Balance as of June 30, 2004	\$23,882	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	\$22,882	(\$353,328)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$23,882.

**19. INTERFUND ASSETS/LIABILITIES AND TRANSFERS**

**A. Interfund Balances**

The interfund balances at June 30, 2004 were as follows:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**19. INTERFUND ASSETS/LIABILITIES AND TRANSFERS (Continued)**

	<b>Interfund Receivable</b>
<b>Interfund Payable</b>	<b>General</b>
<b><u>Non-major Governmental Funds</u></b>	
Student Intervention	\$3,886
Title I	1,238
Total Non-major Governmental Funds	\$5,124

The interfund transactions between general and the non-major special revenue funds are due to the timing of the receipt of grant monies.

**B. Transfers**

The transfer activity at June 30, 2004 is as follows:

	<b>Transfers - In</b>
<b>Transfers - Out</b>	<b>Other Non-major Governmental Funds</b>
<b><u>Major Governmental Funds</u></b>	
General	\$5,000

Transfers are used to move general fund revenues that are used to subsidize various programs in other funds and to create a balance to be used for future capital acquisition.

**20. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**21. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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## Auditor of State Betty Montgomery

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

Cedar Cliff Local School District  
Greene County  
PO Box 45  
Cedarville, Ohio 45314

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, (the District), as of and for the years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 26, 2006, wherein we noted that the District implemented GASB Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

#### **Compliance and Other Matters**

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

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Cedar Cliff Local School District  
Greene County  
Independent Accountants' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

April 26, 2006

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Capital Asset Reporting**

The District's reported capital assets included significant data entry errors and policy noncompliance as noted below:

1. The District contracted for an appraisal of its land and buildings for fiscal year ended June 30, 2003. The appraisal was used to report capital assets on the District's basic financial statements. Assets included in the appraisal report, i.e. building improvements/fixtures, were not removed from the prior fixed asset listing, resulting in a \$986,349 overstatement of assets and a corresponding \$233,736 overstatement of related depreciation. In addition, two buildings totaling \$484,607 were included on the listing as land. The above errors were significant and required adjustments to the Statement of Net Assets. These adjustments are reflected in the accompanying financial statements.
  
2. **Board policy 4.60** states, "For the purpose of GAAP financial statements, a fixed asset shall be defined as the tangible personal property of the School District, either purchased or donated, with a useful life in excess of one year and an initial cost equal to or exceeding \$500.00." The capital asset listing has similar assets grouped, which individually do not meet the threshold, however do in the aggregate. For example:
  - Athletic uniforms were purchased and capitalized during FY 2004;
  - 30 desks and chairs were purchased and capitalized in FY 2005 for \$2,601.30. Individual cost was \$86.71;
  - Textbooks, valued in total at \$138,980, were included in the fixed asset listing for both fiscal year 2005 and 2004.
  
3. Board policy also states, "Infrastructure assets, such as roads, bridges, sidewalks, curbs, gutters, drainage systems, and outdoor lighting systems shall not be included in the District's fixed asset system." Sidewalks and gutters, however, are included on the capital asset detailed listing.

The District should either follow or amend its fixed asset policy according to current practice. Specifically, the policy should state whether a fixed asset should individually meet the capitalization threshold or if similar assets grouped in the aggregate, meeting the threshold, should be included. The policy also needs to revisit infrastructure as this is a significant component of the new GABS 34 reporting model.





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Betty Montgomery**

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT**

**GREENE 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  
JUNE 06, 2006**