



Mary Taylor, CPA  
Auditor of State



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

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GREENE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cedar Cliff Local School District  
Greene County  
P. O. 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, 2007 and 2006, 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 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, 2007 and 2006, and the respective changes in financial position, thereof and the budgetary comparison for the General and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 20 of the Notes to the Financial Statements for the Fiscal year Ended June 30, 2006, the District restated the beginning fund balances in the General, Permanent Improvement, and Other Government Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008, 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.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 13, 2008

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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, 2007. 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 2007 are as follows:

- In total, net assets increased \$612,656, which represents a 24 percent increase from 2006.
- General revenues and proceeds from sale of capital assets accounted for \$5,814,749 in revenue or 89 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest and contributions and capital grants and contributions accounted for \$706,487 or 11 percent of total revenues of \$6,521,236.
- Total assets of governmental activities increased by \$668,436 as cash and cash equivalents increased by \$411,511 and capital assets decreased by \$33,501.
- The School District had \$5,908,580 in expenses; only \$706,487 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) and proceeds from sale of capital assets were \$5,814,749.
- Among major funds, the general fund had \$5,740,981 in revenues and \$5,279,362 in expenditures. The general fund's balance increased \$456,882 from 2006.

**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 capital projects 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, 2007  
(UNAUDITED)  
(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 2007?" 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 14. 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 fund and the permanent improvement capital projects 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, 2007  
(UNAUDITED)  
(Continued)**

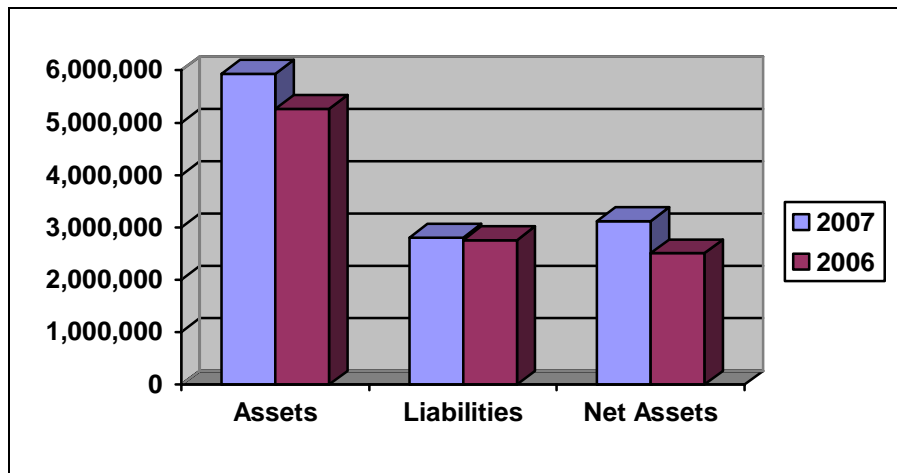
**The School District as a Whole**

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 2007 compared to 2006:

**Table 1  
Net Assets**

	<u>2007</u>	<u>2006</u>
<b>Assets:</b>		
Current and Other Assets	\$3,851,302	\$3,149,365
Capital Assets	<u>2,077,982</u>	<u>2,111,483</u>
Total Assets	<u>5,929,284</u>	<u>5,260,848</u>
<b>Liabilities:</b>		
Long-Term Liabilities	356,603	429,598
Other Liabilities	<u>2,452,245</u>	<u>2,323,470</u>
Total Liabilities	<u>2,808,848</u>	<u>2,753,068</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	2,077,982	2,111,483
Restricted	24,321	(79,436)
Unrestricted	<u>1,018,133</u>	<u>475,733</u>
Total Net Assets	<u>\$3,120,436</u>	<u>\$2,507,780</u>



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 2007, total assets of governmental activities increased by \$668,436 as cash and cash equivalents increased by \$411,511 and capital assets decreased by \$33,501. 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 \$542,400.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

Table 2 shows the changes in net assets from fiscal year 2006 to fiscal year 2007:

**Table 2  
Changes in Net Assets**

	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	\$407,997	\$311,055
Operating Grants, Interest and Contributions	294,800	266,213
Capital Grants	3,690	
Total Program Revenues	<u>706,487</u>	<u>577,268</u>
<b>General Revenues:</b>		
Property Taxes	1,883,925	1,635,555
Income Taxes	751,112	677,862
Grants and Entitlements	3,072,927	3,065,638
Gifts and Donations	254	22,163
Investment Earnings	75,536	53,613
Miscellaneous	30,732	41,365
Total General Revenues	<u>5,814,486</u>	<u>5,496,196</u>
Proceeds from Sale of Capital Assets	263	2,656
Total Revenues	<u>6,521,236</u>	<u>6,076,120</u>
<b>Program Expenses</b>		
<b>Instruction</b>	3,269,563	3,284,121
<b>Support Services:</b>		
Pupils and Instructional Staff	722,038	761,327
Board of Education, Administration, Fiscal and Business	798,432	837,441
Operation and Maintenance of Plant	492,802	413,354
Pupil Transportation	217,515	305,875
Central	12,342	9,972
Operation of Non-instructional Services	175,907	161,917
Extracurricular Activities	219,981	229,850
Total Expenses	<u>5,908,580</u>	<u>6,003,857</u>
Increase in Net Assets	612,656	72,263
Beginning Net Assets	2,507,780	2,435,517
Ending Net Assets	<u>\$3,120,436</u>	<u>\$2,507,780</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 40 percent of revenues for governmental activities for the Cedar Cliff Local School District for fiscal year 2007.

Instruction comprises 55 percent of the School District expenses. Support services expenses make up 38 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. A comparative analysis of district-wide data from fiscal year 2006 to fiscal year 2007 is being presented, as follows:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
<b>Instruction</b>	\$3,269,563	\$3,015,891	\$3,284,121	\$3,153,472
<b>Support Services:</b>				
Pupils and Instructional Staff	722,038	524,084	761,327	543,284
Board of Education, Administration, Fiscal and Business	798,432	798,432	837,441	837,441
Operation and Maintenance of Plant	492,802	492,802	413,354	413,354
Pupil Transportation	217,515	217,515	305,875	305,875
Central	12,342	1,342	9,972	4,972
Operation of Non-instructional Services	175,907	11,630	161,917	12,530
Extracurricular Activities	219,981	140,397	229,850	155,661
<b>Total Expenses</b>	<u>\$5,908,580</u>	<u>\$5,202,093</u>	<u>\$6,003,857</u>	<u>\$5,426,589</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 School 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 92 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 89 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, 2007  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,509,709 and expenditures of \$5,950,996. The net change in fund balance for the year for all funds increased by \$558,976.

**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 2007, 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 \$5,686,493. The original budgeted estimate was \$5,590,443.

During fiscal year 2007, the School District budgeted and received \$1,666,564 in property and other taxes.

**Capital Assets**

At the end of the fiscal year 2007, the School District had \$2,077,982 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and educational media.

Table 4 shows fiscal 2007 balances compared to 2006.

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

	<u>2007</u>	<u>2006</u>
Land	\$122,820	\$122,820
Construction in Progress	47,249	0
Land Improvements	21,613	22,298
Buildings and Improvements	1,196,854	1,203,315
Furniture and Equipment	266,374	300,670
Vehicles	377,884	405,050
Educational Media	45,188	57,330
Totals	<u>\$2,077,982</u>	<u>\$2,111,483</u>

Overall capital assets decreased \$33,501 from fiscal year 2006 to fiscal year 2007. The increases in capital assets (primarily improvements, equipment and vehicles) were not great 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, 2007  
(UNAUDITED)  
(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 2005. 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 2006. We are very fortunate to have our community so supportive of our schools. The problem with the state funding may force us to renew or replace that emergency levy. 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. The Cedar Cliff Local School District has been designated "An Excellent School" on the State's Annual Report Card of Schools for the past three years.

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 no longer considered a formula district and has seen that source of revenue placed "on the guarantee". That means that the state will provide the same amount of dollars as the previous fiscal year. The School District is located in a rural setting within 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.

Parents have many options in choosing an education for their children. By doing so, the District has lost revenue by those choosing to go open enrollment to other districts, home-schooled, or to a community school. To counteract some of these losses, the Board of Education voted to permit "Open Enrollment" to Cedar Cliff District depending on availability within the grade levels. The intent was to fill classes to a certain number based on what is best for students and then close that class.

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 dependent 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 cedar\_tres@mveca.org.

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$1,430,872
Cash with Fiscal Agents	44
Inventory of Supplies and Materials	17,638
Accrued Interest Receivable	2,118
Accounts Receivable	54,397
Interfund Receivable	152,866
Due from Other Funds	11,592
Intergovernmental Receivable	35,993
Prepaid Items	3,438
Income Tax Receivable	319,459
Property and Other Taxes Receivable	1,822,885
Depreciable Capital Assets, Net	1,907,913
Land	122,820
Construction in Progress	47,249
Total Assets	5,929,284
 <b>Liabilities:</b>	
Accounts Payable	5,262
Contracts Payable	20,251
Accrued Wages and Benefits Payable	406,610
Interfund Payable	152,866
Due to Other Funds	11,592
Intergovernmental Payable	138,473
Accrued Vacation Leave Payable	13,848
Compensated Absences Payable	399
Deferred Revenue	1,702,944
<b>Long Term Liabilities:</b>	
Due Within One Year	28,742
Due In More Than One Year	327,861
Total Liabilities	2,808,848
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	2,077,982
<b>Restricted for:</b>	
Capital Projects	18,188
Other Purposes	6,133
Unrestricted	1,018,133
Total Net Assets	\$3,120,436

*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, 2007**

	Program Revenues			Net (Expense) Revenue and Changes In Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$2,470,009	\$150,644	\$28,239	\$3,690	(\$2,287,436)
Special	473,803		71,099		(402,704)
Vocational	5,939				(5,939)
Other	319,812				(319,812)
<b>Support Services:</b>					
Pupils	435,069	58,345	37,225		(339,499)
Instructional Staff	286,969		102,384		(184,585)
Board of Education	37,763				(37,763)
Administration	529,671				(529,671)
Fiscal	229,443				(229,443)
Business	1,555				(1,555)
Operation and Maintenance of Plant	492,802				(492,802)
Pupil Transportation	217,515				(217,515)
Central	12,342		11,000		(1,342)
Operation of Noninstructional Services	175,907	127,004	37,273		(11,630)
Extracurricular Activities	219,981	72,004	7,580		(140,397)
Total Governmental Activities	<u>\$5,908,580</u>	<u>\$407,997</u>	<u>\$294,800</u>	<u>\$3,690</u>	<u>(5,202,093)</u>
<b>General Revenues:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,687,571
Capital Outla					196,354
Income Taxes for General Purposes					751,112
Grants and Entitlements not Restricted to Specific Programs					3,072,927
Gifts and Donations					254
Investment Earnings					75,536
Miscellaneous					30,732
Total General Revenues before Proceeds from Sale of Capital Assets					<u>5,814,486</u>
Proceeds from Sale of Capital Assets					<u>263</u>
Change in Net Assets					612,656
Net Assets Beginning of Year					<u>2,507,780</u>
Net Assets End of Year					<u><u>\$3,120,436</u></u>

See accompanying notes to the basic financial statements.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$1,210,484	\$166,549	\$53,839	\$1,430,872
Cash with Fiscal Agents			44	44
<b>Receivables:</b>				
Property and Other Taxes	1,664,283	158,602		1,822,885
Income Taxes	319,459			319,459
Accrued Interest	2,118			2,118
Accounts	54,397			54,397
Intergovernmental			35,993	35,993
Interfund	152,866			152,866
Due from Other Funds	11,592			11,592
Inventory of Supplies and Materials	17,325		313	17,638
Prepaid Items	2,307		1,131	3,438
Total Assets	<u>\$3,434,831</u>	<u>\$325,151</u>	<u>\$91,320</u>	<u>\$3,851,302</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$3,886	\$1,102	\$274	\$5,262
Contracts Payable		20,251		20,251
Accrued Wages and Benefits Payable	377,839		28,771	406,610
Interfund Payable		142,660	10,206	152,866
Due to Other Funds			11,592	11,592
Intergovernmental Payable	129,273		9,200	138,473
Deferred Revenue	1,609,494	149,175	8,766	1,767,435
Compensated Absences Payable	399			399
Total Liabilities	<u>2,120,891</u>	<u>313,188</u>	<u>68,809</u>	<u>2,502,888</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	47,431	136,859	430	184,720
Reserved for Property Tax	79,184	9,427		88,611
Unreserved, Undesignated (Deficit),				
<b>Reported in:</b>				
General Fund	1,187,325			1,187,325
Special Revenue Funds			19,183	19,183
Capital Projects Funds		(134,323)	2,898	(131,425)
Total Fund Balances	<u>1,313,940</u>	<u>11,963</u>	<u>22,511</u>	<u>1,348,414</u>
Total Liabilities and Fund Balances	<u>\$3,434,831</u>	<u>\$325,151</u>	<u>\$91,320</u>	<u>\$3,851,302</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007**

Total Governmental Fund Balance		\$1,348,414
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$122,820	
Construction in Progress	47,249	
Land Improvements	21,613	
Buildings	238,474	
Building Improvements	958,380	
Furniture and Equipment	266,374	
Vehicles	377,884	
Educational Media	45,188	
Total Capital Assets	2,077,982	2,077,982

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

Property and Other Taxes Receivable	31,330	
Income Taxes Receivable	21,160	
Accounts Receivable	3,235	
Intergovernmental Receivable	8,766	
	64,491	64,491

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences		(370,451)
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Net Assets of Governmental Activities		\$3,120,436
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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  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Taxes	\$1,686,512	\$196,266		\$1,882,778
Income Tax	751,112			751,112
Tuition and Fees	149,293			149,293
Interest	75,331		\$205	75,536
Intergovernmental	3,047,747	25,180	277,073	3,350,000
Extracurricular Activities			130,349	130,349
Charges for Services			127,004	127,004
Gifts and Donations	254		12,651	12,905
Rent	700			700
Miscellaneous	30,032			30,032
Total Revenues	<u>5,740,981</u>	<u>221,446</u>	<u>547,282</u>	<u>6,509,709</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,416,548	27,282	27,636	2,471,466
Special	424,268		61,449	485,717
Vocational	8,387			8,387
Other	319,812			319,812
<b>Support Services:</b>				
Pupils	329,173		103,425	432,598
Instructional Staff	180,390	3,515	102,690	286,595
Board of Education	40,216			40,216
Administration	536,286			536,286
Fiscal	224,955	3,193		228,148
Business	1,555			1,555
Operation and Maintenance of Plant	458,501	78,959		537,460
Pupil Transportation	201,816			201,816
Central	1,948		10,394	12,342
Operation of Noninstructional Services	85		171,250	171,335
Extracurricular Activities	135,422		81,841	217,263
Total Expenditures	<u>5,279,362</u>	<u>112,949</u>	<u>558,685</u>	<u>5,950,996</u>
Excess of Revenues Over (Under) Expenditures	<u>461,619</u>	<u>108,497</u>	<u>(11,403)</u>	<u>558,713</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	263			263
Transfers - In			5,000	5,000
Transfers - Out	(5,000)			(5,000)
Total Other Financing Sources (Uses)	<u>(4,737)</u>		<u>5,000</u>	<u>263</u>
Net Change in Fund Balances	456,882	108,497	(6,403)	558,976
Fund Balances (Deficit) at Beginning of Year	<u>857,058</u>	<u>(96,534)</u>	<u>28,914</u>	<u>789,438</u>
Fund Balances at End of Year	<u>\$1,313,940</u>	<u>\$11,963</u>	<u>\$22,511</u>	<u>\$1,348,414</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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$558,976
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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	\$115,859	
Depreciation Expense	(146,430)	
Excess of Depreciation over Capital Outlay		(30,571)

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	(2,930)
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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	1,146	
Accounts	1,351	
Intergovernmental	8,766	
		11,263

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 Compensated Absences Payable	75,918

Change in Net Assets of Governmental Activities	\$612,656

*See accompanying notes to the basic financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
Property and Other Taxes	\$1,641,980	\$1,666,564	\$1,666,564	
Income Tax	614,864	614,823	707,725	\$92,902
Tuition and Fees	84,500	127,916	127,916	
Interest	50,000	76,973	76,973	
Intergovernmental	3,024,399	3,047,283	3,047,283	
Gifts and Donations	2,000	254	254	
Rent	500	700	700	
Miscellaneous	50,100	7,018	7,099	81
<b>Total Revenues</b>	<u>5,468,343</u>	<u>5,541,531</u>	<u>5,634,514</u>	<u>92,983</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,441,590	2,470,786	2,450,078	20,708
Special	344,952	453,436	424,417	29,019
Vocational	4,500	8,436	8,387	49
Other	742,997	338,325	319,812	18,513
<b>Support Services:</b>				
Pupils	154,737	367,350	351,164	16,186
Instructional Staff	233,104	233,186	218,373	14,813
Board of Education	49,100	44,426	40,367	4,059
Administration	524,031	579,588	550,423	29,165
Fiscal	254,423	250,767	242,703	8,064
Business	2,200	2,200	1,555	645
Operation and Maintenance of Plant	502,951	478,500	463,767	14,733
Pupil Transportation	245,722	229,202	215,762	13,440
Central	7,820	5,120	2,148	2,972
Operation of Noninstructional Services		85	85	
Extracurricular Activities	170,067	141,581	132,368	9,213
Capital Outlay	1,000	1,000		1,000
<b>Total Expenditures</b>	<u>5,679,194</u>	<u>5,603,988</u>	<u>5,421,409</u>	<u>182,579</u>
Excess of Revenues Over (Under) Expenditures	<u>(210,851)</u>	<u>(62,457)</u>	<u>213,105</u>	<u>275,562</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	100	100	263	163
Refund of Prior Year Expenditures		22,862	22,862	
Advances - In	122,000	122,000	122,000	
Advances - Out		(152,866)	(152,866)	
Transfers - Out		(5,000)	(5,000)	
<b>Total Other Financing Sources (Uses)</b>	<u>122,100</u>	<u>(12,904)</u>	<u>(12,741)</u>	<u>163</u>
Net Change in Fund Balance	(88,751)	(75,361)	200,364	275,725
Fund Balance at Beginning of Year	936,589	936,589	936,589	
Prior Year Encumbrances Appropriated	20,464	20,464	20,464	
<b>Fund Balance at End of Year</b>	<u>\$868,302</u>	<u>\$881,692</u>	<u>\$1,157,417</u>	<u>\$275,725</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, 2006**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$16,609
	\$500	\$16,609
<b>Liabilities:</b>		
Accounts Payable		1,208
Deposits Held and Due to Students		15,401
Total Liabilities		\$16,609
<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, 2006**

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and Donations	\$500
<b>Deletions:</b>	
Payments in Accordance with Trust Agreements	<u>500</u>
Change in Net Assets	
Net Assets Beginning of Year	<u>500</u>
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, 2007**

**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, 45 certified full time teaching personnel, including 4 administrators, who provide services to 669 students and other community members. The School District currently operates 1 instructional/support facility.

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 Cooperative (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)
- Greene County Career Center

Insurance Purchasing Pool:

- 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, 2007  
(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, 2007  
(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, 2007  
(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 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, 2007  
(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, 2007, but which were levied to finance fiscal year 2008 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 2007.

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, 2007  
(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 "cash and cash equivalents." During fiscal year 2007, 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 2007 amounted to \$75,331, which includes \$17,968 assigned from other funds.

**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. 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, 2007  
(Continued)**

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

**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 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.

**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.

**M. Fund Balance Reserves**

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. 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.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**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.

The government-wide statement of net assets reports \$24,321 of restricted net assets, of which none is restricted by enabling legislation.

**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**

At June 30, 2007, the food service, IDEA, Part B and title II-A special revenue funds had deficit fund balances of \$2,647, \$3,754 and \$1,898, respectively. The general fund provides transfers to cover the deficit balances; however, this is done when cash is needed rather than when accruals occur.

**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).



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$456,882
Net Adjustment for Revenue Accruals	(83,605)
Net Adjustment for Expenditure Accruals	(88,976)
Advances	(30,866)
Adjustment for Encumbrances	(53,071)
Budget Basis	<u>\$200,364</u>

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**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 "cash and cash equivalents."

The "cash with fiscal agents" of \$44 shown in the special revenue funds is maintained by the Greene County Educational Service Center.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,321,312 of the School District's bank balance of \$1,521,312 was exposed to custodial credit risk because it was uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

At June 30, 2007, the School District did not have any investments outstanding.

**Interest Rate Risk:** The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk:** The District's investment policy limits investments to those authorized by State statute.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**Concentration of Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in the money market mutual funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District's investment policy does not address investment custodial risk beyond the requirement the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero percent for 2009. 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, 2007, are available to finance fiscal year 2007 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, 2007  
(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, 2007 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, 2007, was \$79,184 in the general fund and \$9,427 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<b>2006 Second Half Collections</b>		<b>2007 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$68,903,140	91.67%	\$70,818,400	92.98%
Tangible Personal Property	6,257,641	8.33%	5,342,762	7.02%
Total Assessed Value	<u>\$75,160,781</u>	<u>100.00%</u>	<u>\$76,161,162</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.35		\$39.35	

**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 \$751,112 was credited to the general fund during fiscal year 2007.

**8. RECEIVABLES**

Receivables at June 30, 2007, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and interfund. A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Non-major Funds	
Miscellaneous State Grants	\$6,914
IDEA, Part B	20,657
Title I	7,767
Title IIA	655
Total Non-major Funds	<u>35,993</u>
Total Intergovernmental Receivables	<u>\$35,993</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<b>Govt Assets 6/30/2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Govt Assets 6/30/2007</b>
Capital Asset, not Being Depreciated				
Land	\$122,820			\$122,820
Construction in Progress		\$47,249		47,249
Total Capital Assets, not Being Depreciated	<u>122,820</u>	<u>47,249</u>		<u>170,069</u>
Capital Assets, Being Depreciated				
Land Improvements	45,303			45,303
Buildings	951,849			951,849
Building Improvements	1,248,982	26,778		1,275,760
Equipment	848,234	41,832	\$40,915	849,151
Vehicles	537,536			537,536
Educational Media	123,241			123,241
Total Capital Assets, Being Depreciated	<u>3,755,145</u>	<u>68,610</u>	<u>40,915</u>	<u>3,782,840</u>
Less: Accumulated Depreciation:				
Land Improvements	(23,005)	(685)		(23,690)
Buildings	(694,591)	(18,784)		(713,375)
Building Improvements	(302,925)	(14,455)		(317,380)
Equipment	(547,564)	(73,198)	37,985	(582,777)
Vehicles	(132,486)	(27,166)		(159,652)
Educational Media	(65,911)	(12,142)		(78,053)
Total Accumulated Depreciation	<u>(1,766,482)</u>	<u>(146,430)</u>	<u>37,985</u>	<u>(1,874,927)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,988,663</u>	<u>(77,820)</u>	<u>2,930</u>	<u>1,907,913</u>
Total Capital Assets, Net	<u>\$2,111,483</u>	<u>(\$30,571)</u>	<u>\$2,930</u>	<u>\$2,077,982</u>

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

<b>Instruction:</b>	
Regular	\$67,431
Special	1,459
Vocational	614
<b>Support Services:</b>	
Pupils	1,980
Instructional Staff	6,395
Board of Education	42
Administration	4,936
Fiscal	2,502
Operation and Maintenance of Plant	27,457
Pupil Transportation	22,748
Extracurricular Activities	7,511
Operation of Non-Instructional Services	3,355
Total Depreciation Expense	<u>\$146,430</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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 2007, the School District contracted with Indiana Insurance Company for property, fleet insurance, liability insurance and inland coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents – replacement cost (\$500 deductible)	\$16,227,394
Inland Marine Coverage (\$250/\$500 deductible)	351,569
Boiler and Machinery (\$1,000 deductible)	16,227,394
Monies and Securities	10,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability Per Occurrence	1,000,000
Aggregate	2,000,000
Umbrella	3,000,000

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 2007, 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, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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 2007, 10.68 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, 2007, 2006, and 2005, were \$79,493, \$78,641, and, \$75,013, respectively, equal to the required contributions for each year.

**B. State Teachers Retirement System**

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 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 of 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.

For the fiscal year ended June 30, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, 2005 were \$326,967, \$326,651, and \$327,585, respectively; 100 percent has been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board are with SERS.

**12. POST-EMPLOYMENT 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 retirees who participated in the DB or combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$25,151 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$40,459 to fund health care benefits, including the surcharge.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**12. POST-EMPLOYMENT 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 projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive 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 58 days for all certified employees and 50 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 2007 were as follows:

	<u>Amount Outstanding 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/07</u>	<u>Amounts Due in One Year</u>
Compensated Absences	\$429,598	\$72,596	\$145,591	\$356,603	\$28,742

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

At June 30, 2007, the School District's overall legal debt limitation was \$6,697,052, and the unvoted debt margin was \$74,412.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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 \$17,430 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 2007, the School District paid \$0 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 \$617 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 2007 fiscal year.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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, 2006		
Current Year Set-aside Requirement	\$ 93,723	\$93,723
Carryover from Prior Year	(100,426)	
Qualifying Disbursements	(131,560)	(4,173)
Current Year Offsets		(193,921)
Set-aside Reserve Balance as of June 30, 2007	(138,263)	(104,371)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$138,263)	\$ 0

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 textbooks qualifying expenditures may be used to reduce the set-aside requirements in future fiscal years.

**18. INTERFUND ASSETS/LIABILITIES**

The interfund balances at June 30, 2007 were as follows:

	<b>Interfund Receivable</b>
<b>Interfund Payable</b>	<b>General</b>
<b>Major Governmental Fund</b>	
Permanent Improvement	\$142,660
IDEA, Part B	10,206
	\$152,866

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**18. INTERFUND ASSETS/LIABILITIES (Continued)**

	<b>Due From Other Funds</b>
<b>Due To Other Funds</b>	<b>General</b>
Non-major Governmental Fund	
IDEA, Part B	\$11,592
	<b>Transfers - In</b>
	<b>Other Non-major</b>
	<b>Governmental Funds</b>
<b>Transfers - Out</b>	
Major Governmental Funds	
General	\$5,000

The interfund transactions between general and the major capital project fund are due to the timing of the tax revenue. The interfund transactions between the general and IDEA, Part B non-major special revenue fund is due to the timing of grant revenue.

**19. 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, 2007.

**20. STATE SCHOOL FUNDING DECISION**

On December 11, 2003, 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, 2006  
(UNAUDITED)**

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, 2006. 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 2006 are as follows:

- In total, net assets increased \$72,263, which represents a three percent increase from 2005.
- General revenues and proceeds from sale of capital assets accounted for \$5,498,852 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 \$577,268 or ten percent of total revenues of \$6,076,120.
- Total assets of governmental activities increased by \$200,536 as cash and cash equivalents decreased by \$171,808 and capital assets increased by \$237,969.
- The School District had \$6,003,857 in expenses; only \$577,268 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) and proceeds from sale of capital assets were \$5,498,852.
- Among major funds, the general fund had \$5,337,569 in revenues and \$5,371,959 in expenditures. The general fund's balance decreased \$41,734 from 2005.

**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 capital projects fund are the most significant funds.

**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 2006?" 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

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 51. 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 fund and the permanent improvement capital projects 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, 2006  
(UNAUDITED)  
(Continued)**

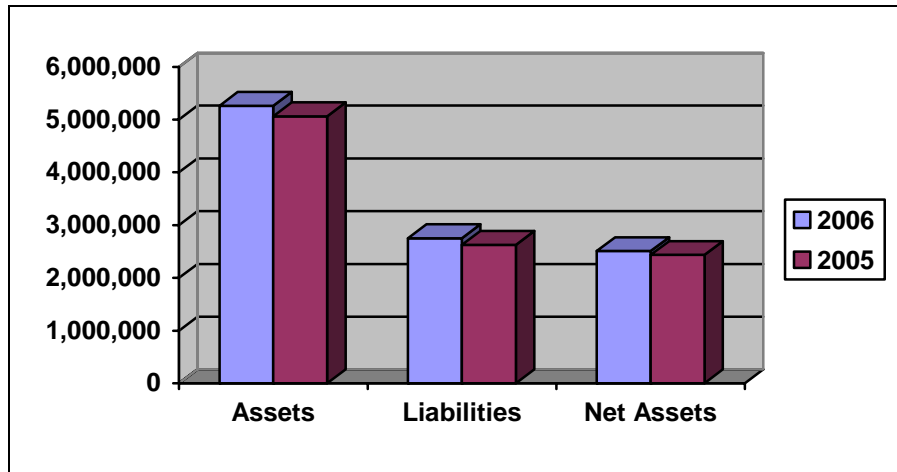
**The School District as a Whole**

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 2006 compared to 2005:

**Table 1  
Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Assets:</b>		
Current and Other Assets	\$3,149,365	\$3,186,798
Capital Assets	<u>2,111,483</u>	<u>1,873,514</u>
Total Assets	<u>5,260,848</u>	<u>5,060,312</u>
<b>Liabilities:</b>		
Long-Term Liabilities	429,598	445,967
Other Liabilities	<u>2,323,470</u>	<u>2,178,828</u>
Total Liabilities	<u>2,753,068</u>	<u>2,624,795</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	2,111,483	1,873,514
Restricted	13,859	112,277
Unrestricted	<u>382,438</u>	<u>449,726</u>
Total Net Assets	<u>\$2,507,780</u>	<u>\$2,435,517</u>



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 2006, total assets of governmental activities increased by \$200,536 as cash and cash equivalents decreased by \$171,808 and capital assets increased by \$237,969. 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 \$67,288.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

Table 2 shows the changes in net assets from fiscal year 2005 to fiscal year 2006:

**Table 2  
Changes in Net Assets**

	2006	2005
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 311,055	\$ 273,878
Operating Grants, Interest and Contributions	266,213	296,361
Total Program Revenues	577,268	570,239
<b>General Revenues:</b>		
Property Taxes	1,635,555	1,533,403
Income Taxes	677,862	613,641
Grants and Entitlements	3,065,638	2,948,903
Gifts and Donations	22,163	19,130
Investment Earnings	53,613	31,642
Miscellaneous	41,365	61,706
Total General Revenues	5,496,196	5,208,425
Proceeds from Sale of Capital Assets	2,656	
Total Revenues	6,076,120	5,778,664
<b>Program Expenses</b>		
<b>Instruction</b>	3,284,121	3,374,011
<b>Support Services:</b>		
Pupils and Instructional Staff	761,327	513,694
Board of Education, Administration, Fiscal and Business	837,441	765,605
Operation and Maintenance of Plant	413,354	591,262
Pupil Transportation	305,875	279,350
Central	9,972	9,818
Operation of Non-instructional Services	161,917	160,798
Extracurricular Activities	229,850	215,982
Total Expenses	6,003,857	5,910,520
Increase (Decrease) in Net Assets	72,263	(131,856)
Beginning Net Assets	2,435,517	2,567,373
Ending Net Assets	\$2,507,780	\$2,435,517

**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 38 percent of revenues for governmental activities for the Cedar Cliff Local School District for fiscal year 2006.

Instruction comprises 55 percent of the School District expenses. Support services expenses make up 39 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. A comparative analysis of district-wide data from fiscal year 2005 to fiscal year 2006 is being presented, as follows:



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
<b>Instruction</b>	\$3,284,121	\$3,153,472	\$3,374,011	\$3,283,879
<b>Support Services:</b>				
Pupils and Instructional Staff	761,327	543,284	513,694	308,773
Board of Education, Administration, Fiscal and Business	837,441	837,441	765,605	765,605
Operation and Maintenance of Plant	413,354	413,354	591,262	591,262
Pupil Transportation	305,875	305,875	279,350	279,350
Central	9,972	4,972	9,818	(40,048)
Operation of Non-instructional Services	161,917	12,530	160,798	2,850
Extracurricular Activities	229,850	155,661	215,982	148,610
<b>Total Expenses</b>	<u>\$6,003,857</u>	<u>\$5,426,589</u>	<u>\$5,910,520</u>	<u>\$5,340,281</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 School 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 96 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, 2006  
(UNAUDITED)  
(Continued)**

**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 \$6,069,696 and expenditures of \$6,309,120. The net change in fund balance for the year for all funds decreased by \$236,768.

**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 2006, 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 \$5,507,062. The original budgeted estimate was \$5,164,987.

During fiscal year 2006, the School District budgeted and received \$1,509,947 and \$1,510,007, respectively, in property and other taxes.

**Capital Assets**

At the end of the fiscal year 2006, the School District had \$2,111,483 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and educational media.

Table 4 shows fiscal 2006 balances compared to 2005.

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

	<u>2006</u>	<u>2005</u>
Land	\$122,820	\$122,820
Land Improvements	22,298	22,983
Buildings and Improvements	1,203,315	1,017,009
Furniture and Equipment	300,670	329,588
Vehicles	405,050	305,031
Educational Media	57,330	76,083
Totals	<u>\$2,111,483</u>	<u>\$1,873,514</u>

Overall capital assets increased \$237,969 from fiscal year 2005 to fiscal year 2006. Increases in capital assets (primarily improvements, equipment and vehicles) 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, 2006  
(UNAUDITED)  
(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 2005. 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 2006. 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, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$1,019,262
Cash with Fiscal Agents	143
Inventory of Supplies and Materials	7,941
Accrued Interest Receivable	1,642
Accounts Receivable	23,040
Intergovernmental Receivable	12,388
Prepaid Items	3,375
Income Tax Receivable	278,190
Property and Other Taxes Receivable	1,803,384
Depreciable Capital Assets, Net	1,988,663
Land	122,820
Total Assets	5,260,848
 <b>Liabilities:</b>	
Accounts Payable	564
Accrued Wages and Benefits Payable	414,530
Intergovernmental Payable	165,247
Accrued Vacation Leave Payable	16,771
Compensated Absences Payable	19,476
Deferred Revenue	1,706,882
<b>Long Term Liabilities:</b>	
Due Within One Year	16,109
Due In More Than One Year	413,489
Total Liabilities	2,753,068
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	2,111,483
<b>Restricted for:</b>	
Other Purposes	13,859
Unrestricted	382,438
Total Net Assets	\$2,507,780

*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, 2006**

	<u>Program Revenues</u>			<b>Net (Expense) Revenue and Changes In Net Assets</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,520,160	\$61,101	\$30,651	(\$2,428,408)
Special	488,852		38,897	(449,955)
Vocational	9,714			(9,714)
Other	265,395			(265,395)
<b>Support Services:</b>				
Pupils	388,220	55,855	2,706	(329,659)
Instructional Staff	373,107		159,482	(213,625)
Board of Education	34,099			(34,099)
Administration	550,823			(550,823)
Fiscal	252,397			(252,397)
Business	122			(122)
Operation and Maintenance of Plant	413,354			(413,354)
Pupil Transportation	305,875			(305,875)
Central	9,972		5,000	(4,972)
Operation of Noninstructional Services	161,917	119,910	29,477	(12,530)
Extracurricular Activities	229,850	74,189		(155,661)
Total Governmental Activities	<u>\$6,003,857</u>	<u>\$311,055</u>	<u>\$266,213</u>	<u>(5,426,589)</u>
<b>General Revenues:</b>				
<b>Property Taxes Levied for:</b>				
				1,454,513
				181,042
				677,862
				3,065,638
				22,163
				53,613
				41,365
				<u>5,496,196</u>
				2,656
				72,263
				<u>2,435,517</u>
				<u>\$2,507,780</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$957,047	\$18,384	\$43,830	\$1,019,261
Cash with Fiscal Agents			143	143
<b>Receivables:</b>				
Property and Other Taxes	1,613,308	190,076		1,803,384
Income Taxes	278,190			278,190
Accrued Interest	1,642			1,642
Accounts	23,040			23,040
Intergovernmental			12,388	12,388
Interfund	122,000			122,000
Inventory of Supplies and Materials	7,080		861	7,941
Prepaid Items	2,270		1,105	3,375
Total Assets	<u>3,004,577</u>	<u>208,460</u>	<u>58,327</u>	<u>3,271,364</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	20		544	564
Accrued Wages and Benefits Payable	392,656		21,874	414,530
Interfund Payable		122,000		122,000
Intergovernmental Payable	158,252		6,995	165,247
Deferred Revenue	1,577,115	182,994		1,760,109
Compensated Absences Payable	19,476			19,476
Total Liabilities	<u>2,147,519</u>	<u>304,994</u>	<u>29,413</u>	<u>2,481,926</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	19,593	9,015	1,351	29,959
Reserved for Property Tax	59,237	7,082		66,319
Unreserved, Undesignated (Deficit), <b>Reported in:</b>				
General Fund	778,228			778,228
Special Revenue Funds			27,563	27,563
Capital Projects Funds		(112,631)		(112,631)
Total Fund Balances	<u>857,058</u>	<u>(96,534)</u>	<u>28,914</u>	<u>789,438</u>
Total Liabilities and Fund Balances	<u>\$3,004,577</u>	<u>\$208,460</u>	<u>\$58,327</u>	<u>\$3,271,364</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

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

Total Governmental Fund Balance	\$789,438
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$122,820	
Land Improvements	22,298	
Buildings	257,258	
Building Improvements	946,057	
Furniture and Equipment	300,670	
Vehicles	405,050	
Educational Media	57,330	
Total Capital Assets		2,111,483

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

Property and Other Taxes Receivable	30,184	
Accounts Receivable	1,884	
Income Taxes Receivable	21,160	
		53,228

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences		(446,369)
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Net Assets of Governmental Activities	\$2,507,780
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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  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>General</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Property and Other Taxes	\$1,450,760	\$181,251		\$1,632,011
Income Tax	677,862			677,862
Tuition and Fees	60,479		\$31	60,510
Interest	53,582			53,582
Intergovernmental	3,043,590	22,048	266,213	3,331,851
Extracurricular Activities			130,044	130,044
Charges for Services			119,910	119,910
Gifts and Donations	9,533		12,630	22,163
Rent	398			398
Miscellaneous	41,365			41,365
<b>Total Revenues</b>	<b>5,337,569</b>	<b>203,299</b>	<b>528,828</b>	<b>6,069,696</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,422,425	38,297	33,836	2,494,558
Special	440,446		46,578	487,024
Vocational	6,746			6,746
Other	265,395			265,395
<b>Support Services:</b>				
Pupils	317,199		66,966	384,165
Instructional Staff	216,220		162,426	378,646
Board of Education	34,175			34,175
Administration	554,185	10,904		565,089
Fiscal	248,933	3,135		252,068
Business	122			122
Operation and Maintenance of Plant	420,770	196,615		617,385
Pupil Transportation	300,710	122,000		422,710
Central	7,809		2,163	9,972
Operation of Noninstructional Services			160,664	160,664
Extracurricular Activities	136,824		87,646	224,470
Capital Outlay		5,931		5,931
<b>Total Expenditures</b>	<b>5,371,959</b>	<b>376,882</b>	<b>560,279</b>	<b>6,309,120</b>
Excess of Revenues Under Expenditures	(34,390)	(173,583)	(31,451)	(239,424)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	2,656			2,656
Transfers - In			10,000	10,000
Transfers - Out	(10,000)			(10,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,344)</b>		<b>10,000</b>	<b>2,656</b>
Net Change in Fund Balances	(41,734)	(173,583)	(21,451)	(236,768)
Fund Balances at Beginning of Year - Restated (See Note 20)	898,792	77,049	50,365	1,026,206
Fund Balances (Deficit) at End of Year	<b>\$857,058</b>	<b>(\$96,534)</b>	<b>\$28,914</b>	<b>\$789,438</b>

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds (\$236,768)

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	\$399,590	
Depreciation Expense	(142,026)	
Excess of Depreciation over Capital Outlay		257,564

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	(19,595)
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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	3,545	
Accounts	224	
		3,769

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	50,774	
Decrease in Compensated Absences Payable	16,519	
		67,293

Change in Net Assets of Governmental Activities	\$72,263
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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 BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Property and Other Taxes	\$1,469,340	\$1,509,947	\$1,510,007	\$60
Income Tax	608,776	639,014	639,014	
Tuition and Fees	36,700	58,453	60,175	1,722
Interest	18,000	48,477	52,957	4,480
Intergovernmental	2,981,643	3,041,269	3,041,063	(206)
Gifts and Donations		5,141	9,533	4,392
Rent	200	490	398	(92)
Miscellaneous	45,050	45,257	41,269	(3,988)
Total Revenues	<u>5,159,709</u>	<u>5,348,048</u>	<u>5,354,416</u>	<u>6,368</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,163,194	2,423,880	2,395,845	28,035
Special	461,078	460,952	444,825	16,127
Vocational	1,470	7,111	6,746	365
Other	699,641	308,620	265,395	43,225
<b>Support Services:</b>				
Pupils	306,178	344,646	326,383	18,263
Instructional Staff	213,468	239,445	224,585	14,860
Board of Education	44,285	40,106	35,676	4,430
Administration	467,012	549,542	533,455	16,087
Fiscal	223,390	261,979	244,056	17,923
Business	2,802	2,200	122	2,078
Operation and Maintenance of Plant	428,003	467,026	430,052	36,974
Pupil Transportation	309,850	309,675	285,026	24,649
Central	8,232	8,372	7,809	563
Extracurricular Activities	123,313	151,586	134,525	17,061
Capital Outlay	4,379	500		500
Total Expenditures	<u>5,456,295</u>	<u>5,575,640</u>	<u>5,334,500</u>	<u>241,140</u>
Excess of Revenues Over (Under) Expenditures	<u>(296,586)</u>	<u>(227,592)</u>	<u>19,916</u>	<u>247,508</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets			2,656	2,656
Refund of Prior Year Expenditures		13,736	13,736	
Advances - In	5,278	145,278	145,278	
Advances - Out		(122,000)	(122,000)	
Transfers - Out		(10,000)	(10,000)	
Total Other Financing Sources (Uses)	<u>5,278</u>	<u>27,014</u>	<u>29,670</u>	<u>2,656</u>
Net Change in Fund Balance	(291,308)	(200,578)	49,586	250,164
Fund Balance at Beginning of Year	854,432	854,432	854,432	
Prior Year Encumbrances Appropriated	32,571	32,571	32,571	
Fund Balance at End of Year	<u>\$595,695</u>	<u>\$686,425</u>	<u>\$936,589</u>	<u>\$250,164</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, 2006**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$16,609
	500	16,609
	500	16,609
<b>Liabilities:</b>		
Accounts Payable		1,208
Deposits Held and Due to Students		15,401
Total Liabilities		\$16,609
		\$16,609
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$500	
	\$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, 2006**

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and Donations	\$500
<b>Deletions:</b>	
Payments in Accordance with Trust Agreements	<u>500</u>
Change in Net Assets	
Net Assets Beginning of Year	<u>500</u>
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, 2006**

**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 1 instructional/support facility.

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 Cooperative (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, 2006  
(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.

**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:



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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.

**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 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, 2006  
(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 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.

**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, 2006, but which were levied to finance fiscal year 2007 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, 2006  
(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 2006.

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 "cash and cash equivalents." During fiscal year 2006, 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 2006 amounted to \$53,582, which includes \$13,756 assigned from other funds.

**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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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:

<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 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.

**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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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 "Matured 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.

**M. Fund Balance Reserves**

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. 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.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State 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.

The government-wide statement of net assets reports \$13,859 of restricted net assets, of which none is restricted by enabling legislation.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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, 2006, the food service, title I and title II-A special revenue funds had deficit fund balances of \$879, \$509 and \$3,392, respectively. The general fund provides transfers to cover the deficit balances; however, this is done when cash is needed rather than when accruals occur.

**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	(\$41,734)
Net Adjustment for Revenue Accruals	30,583
Net Adjustment for Expenditure Accruals	57,923
Advances	23,278
Adjustment for Encumbrances	(20,464)
Budget Basis	<u>\$49,586</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**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 "cash and cash equivalents."

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

The "cash and cash equivalents with fiscal agents" of \$143 shown in the special revenue funds is maintained by the Greene County Educational Service Center.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$872,084 of the School District's bank balance of \$1,072,084 was exposed to custodial credit risk because it was uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

At June 30, 2006, the School District did not have any investments outstanding.

**Interest Rate Risk:** The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk:** The District's investment policy limits investments to those authorized by State statute.

**Concentration of Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in the money market mutual funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District's investment policy does not address investment custodial risk beyond the requirement the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**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.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 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 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. 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, 2006, 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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, 2006, was \$59,237 in the general fund and \$7,082 in the permanent improvement capital projects fund.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second Half Collections</b>		<b>2006 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$64,384,080	90.87%	\$68,903,140	91.67%
Tangible Personal Property	6,472,054	9.13%	6,257,641	8.33%
Total Assessed Value	<u>\$70,856,134</u>	<u>100.00%</u>	<u>\$75,160,781</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$39.35	

**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 \$677,862 was credited to the general fund during fiscal year 2006.

**8. RECEIVABLES**

Receivables at June 30, 2006, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and interfund. A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Non-major Funds	
IDEA, Part B	\$ 6,898
Title I	5,490
Total Non-major Funds	<u>12,388</u>
Total Intergovernmental Receivables	<u>\$12,388</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<b>Govt Assets 6/30/2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Govt Assets 6/30/2006</b>
Capital Asset, not Being Depreciated				
Land	\$ 122,820			\$ 122,820
Capital Assets, Being Depreciated				
Land Improvements	45,303			45,303
Buildings	951,849			951,849
Building Improvements	1,034,083	\$214,899		1,248,982
Equipment	885,525	53,323	\$90,614	848,234
Vehicles	448,833	131,368	42,665	537,536
Educational Media	138,980		15,739	123,241
<b>Total Capital Assets, Being Depreciated</b>	<b>3,504,573</b>	<b>399,590</b>	<b>149,018</b>	<b>3,755,145</b>
Less: Accumulated Depreciation:				
Land Improvements	(22,320)	(685)		(23,005)
Buildings	(675,807)	(18,784)		(694,591)
Building Improvements	(293,116)	(9,809)		(302,925)
Equipment	(555,937)	(76,019)	84,392	(547,564)
Vehicles	(143,802)	(23,013)	34,329	(132,486)
Educational Media	(62,897)	(13,716)	10,702	(65,911)
<b>Total Accumulated Depreciation</b>	<b>(1,753,879)</b>	<b>(142,026)</b>	<b>129,423</b>	<b>(1,766,482)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$1,873,514</b>	<b>\$257,564</b>	<b>(\$19,595)</b>	<b>\$2,111,483</b>

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

<b>Instruction:</b>	
Regular	\$71,440
Special	1,810
Vocational	1,040
<b>Support Services:</b>	
Pupils	1,981
Instructional Staff	6,081
Administration	5,004
Fiscal	2,556
Operation and Maintenance of Plant	22,000
Pupil Transportation	18,860
Extracurricular Activities	7,768
Operation of Non-Instructional Services	3,486
<b>Total Depreciation Expense</b>	<b>\$142,026</b>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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 2006, the School District contracted with Indiana Insurance Company for property, fleet insurance, liability insurance and inland coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents – replacement cost (\$500 deductible)	\$14,829,893
Inland Marine Coverage (\$250/\$500 deductible)	309,079
Boiler and Machinery (\$1,000 deductible)	14,829,893
Monies and Securities	10,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	2,000,000
Umbrella	3,000,000

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 2006, 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

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 2006, 10.58 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, 2006, 2005, and 2004, were \$78,641, \$75,013, and \$64,443, respectively, equal to the required contributions for each year.

**B. State Teachers Retirement System**

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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

A DB or Combined Plan member with five or more years of 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.

For the fiscal year ended June 30, 2006, 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. 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, 2006, 2005, 2004 were \$326,651, \$327,585, and \$315,009, respectively; 100 percent has been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board are with SERS.

**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 retirees who participated in the DB or combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$25,127 for fiscal year 2006.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the 2006 fiscal year, School District paid \$40,310 to fund health care benefits, including the surcharge.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	<b>Amount Outstanding 6/30/05</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/06</b>	<b>Amounts Due in One Year</b>
Compensated Absences	\$445,967	\$3,107	\$19,476	\$429,598	\$16,109

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

At June 30, 2006, the School District's overall legal debt limitation was \$6,526,299, and the unvoted debt margin was \$72,514.

**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 \$18,782 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 2006, the School District paid \$578 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.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 \$3,163 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, Ohio 45385. The Cedar Cliff Local School District did not contribute any money to the Greene County Career Center during the 2006 fiscal year.

**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.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005		
Current Year Set-aside Requirement	\$ 90,435	\$ 90,435
Carryover from Prior Year	(78,425)	
Qualifying Disbursements	(112,436)	(721)
Current Year Offsets		(191,776)
Set-aside Reserve Balance as of June 30, 2006	<u>(\$100,426)</u>	<u>(\$102,062)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$100,426)</u>	<u>\$ 0</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

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 textbooks and instructional materials may be used to reduce the set-aside requirements in future fiscal years.

**18. INTERFUND ASSETS/LIABILITIES**

The interfund balances at June 30, 2006 were as follows:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General</u>
<u>Major Governmental Fund</u>	
Permanent Improvement	\$122,000

The interfund transactions between general and the major capital project fund are due to the timing of the tax revenue.

**19. 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, 2006.

**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.

**20. RESTATEMENT OF PRIOR YEAR BALANCES**

Due to an accounting change, the beginning fund balance figures were restated from fiscal year 2005. In the general fund, the fund balance at the beginning of the year decreased by \$18,258 from \$917,050 to \$898,792. In the permanent improvement fund, the fund balance at the beginning of the year increased by \$18,499 from \$58,550 to \$77,049. In the other governmental funds, the fund balance at the beginning of the year decreased by \$235 from \$50,600 to \$50,365.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**21. STATE SCHOOL FUNDING DECISION**

On December 11, 2003, 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.

**22. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2006, the School District has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, and *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"*. *GASB Statement No. 42* establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006. *GASB Statement No. 46* clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2006.

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# Mary Taylor, CPA

Auditor of State

## 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  
P.O. 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, 2007 and 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated February 13, 2008.

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### **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*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 13, 2008.

We intend this report solely for the information and use of the audit committee, management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 13, 2008

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Capital Asset Reporting – Significant data entry errors and noncompliance.	Yes	







**Mary Taylor, CPA**  
Auditor of State

**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**  
**MARCH 13, 2008**