



**Auditor of State  
Betty Montgomery**



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Cedar Cliff Local School District, Greene County, (the District) as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cedar Cliff Local School District Greene County, as of June 30, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

November 21, 2003

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets and Other Debits:</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$987,258	\$55,129	\$8,964
Cash and Cash Equivalents With Fiscal Agent		4,835	
<b>Receivables:</b>			
Property Taxes	1,265,464		157,890
Income Tax	209,806		
Accounts	5,749		
Intergovernmental	8,738	6,191	
Accrued Interest	737		
Prepaid Items	15,550		
Inventory Held for Resale			
Materials and Supplies Inventory	6,310		
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	46,042		
Fixed Assets (Net, Where Applicable of Accumulated Depreciation)			
<b>Other Debits:</b>			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	2,545,654	66,155	166,854
<b>Liabilities,</b>			
<b>Fund Equity and Other Credits:</b>			
<b>Liabilities:</b>			
Accounts Payable	11,231	1,406	
Accrued Wages and Benefits	349,840	20,176	
Compensated Absences Payable	3,278		
Due To Students			
Intergovernmental Payable	94,168	3,303	
Deferred Revenue	1,199,023		146,737
Total Liabilities	1,657,540	24,885	146,737
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	74,959	756	3,824
Reserved for Property Taxes	87,140		11,153
Reserved for Textbooks and Instructional Materials	46,042		
Unreserved:			
Designated for Budget Stabilization	59,951		
Undesignated	620,022	40,514	5,140
Total Fund Equity and Other Credits	888,114	41,270	20,117
Total Liabilities, Fund Equity and Other Credits	\$2,545,654	\$66,155	\$166,854

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$3,515	\$18,567			\$1,073,433 4,835
				1,423,354 209,806 5,749 14,929 737
392				15,942
2,262				2,262
672				6,982
				46,042
22,053		\$3,109,469		3,131,522
			\$432,487	432,487
<u>28,894</u>	<u>18,567</u>	<u>3,109,469</u>	<u>432,487</u>	<u>6,368,080</u>
				12,637
7,214				377,230
1,893			398,999	404,170
	17,567			17,567
4,186			33,488	135,145
				1,345,760
<u>13,293</u>	<u>17,567</u>		<u>432,487</u>	<u>2,292,509</u>
		3,109,469		3,109,469
20,461				20,461
(4,860)				(4,860)
				79,539
				98,293
				46,042
	1,000			59,951
				666,676
<u>15,601</u>	<u>1,000</u>	<u>3,109,469</u>		<u>4,075,571</u>
<u>\$28,894</u>	<u>\$18,567</u>	<u>\$3,109,469</u>	<u>\$432,487</u>	<u>\$6,368,080</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>					
Property Taxes	\$1,226,475		\$157,754		\$1,384,229
Income Tax	549,124				549,124
Intergovernmental	2,664,751	\$214,917	18,003		2,897,671
Interest	24,215				24,215
Tuition and Fees	33,871				33,871
Rent	372				372
Extracurricular Activities		105,749			105,749
Gifts and Donations	3,403	11,563		\$1,000	15,966
Miscellaneous	97,138				97,138
<b>Total Revenues</b>	<u>4,599,349</u>	<u>332,229</u>	<u>175,757</u>	<u>1,000</u>	<u>5,108,335</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,106,443	53,468	84,798		2,244,709
Special	758,075	74,624			832,699
Vocational	37,381				37,381
Support Services:					
Pupils	127,529	52,236	1,493		181,258
Instructional Staff	172,817	93,500			266,317
Board of Education	37,717				37,717
Administration	444,630	1,174	2,745		448,549
Fiscal	207,742		2,689		210,431
Business	1,940				1,940
Operation and Maintenance of Plant	358,451		168,099		526,550
Pupil Transportation	284,049				284,049
Central	207	5,809			6,016
Extracurricular Activities	129,901	76,658		1,500	208,059
Capital Outlay	1,160		65,870		67,030
<b>Total Expenditures</b>	<u>4,668,042</u>	<u>357,469</u>	<u>325,694</u>	<u>1,500</u>	<u>5,352,705</u>
Excess of Revenues Under Expenditures	<u>(68,693)</u>	<u>(25,240)</u>	<u>(149,937)</u>	<u>(500)</u>	<u>(244,370)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	827				827
Operating Transfers Out	(5,000)				(5,000)
Total Other Financing Sources (Uses)	<u>(4,173)</u>				<u>(4,173)</u>
Excess of Revenues and other Financing Sources Under Expenditures and Other Financing Uses	<u>(72,866)</u>	<u>(25,240)</u>	<u>(149,937)</u>	<u>(500)</u>	<u>(248,543)</u>
Fund Balances at Beginning of Year	<u>960,980</u>	<u>66,510</u>	<u>170,054</u>	<u>1,500</u>	<u>1,199,044</u>
Fund Balances at End of Year	<u><u>\$888,114</u></u>	<u><u>\$41,270</u></u>	<u><u>\$20,117</u></u>	<u><u>\$1,000</u></u>	<u><u>\$950,501</u></u>

See accompanying notes to the general purpose financial statements.

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,242,444	\$1,242,735	\$291			
Income Tax	579,960	579,960				
Intergovernmental	2,698,010	2,698,620	610	\$200,852	\$203,131	\$2,279
Interest	23,810	24,842	1,032			
Tuition and Fees	48,457	48,718	261			
Rent	372	372				
Extracurricular Activities				104,809	107,155	2,346
Gifts and Donations	3,403	3,403		12,274	11,563	(711)
Miscellaneous	49,166	50,354	1,188			
<b>Total Revenues</b>	<b>4,645,622</b>	<b>4,649,004</b>	<b>3,382</b>	<b>317,935</b>	<b>321,849</b>	<b>3,914</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,137,294	2,112,028	25,266	55,816	49,583	6,233
Special	303,358	298,064	5,294	78,472	73,754	4,718
Vocational	39,937	37,176	2,761			
Other	498,313	455,174	43,139			
Support Services:						
Pupils	132,812	126,948	5,864	55,864	52,236	3,628
Instructional Staff	179,453	167,977	11,476	89,642	87,630	2,012
Board of Education	42,641	36,666	5,975			
Administration	457,891	448,199	9,692	1,174	1,174	
Fiscal	217,129	207,510	9,619			
Business	2,000	1,940	60			
Operation and Maintenance of Plant	404,271	389,363	14,908			
Pupil Transportation	325,565	294,784	30,781			
Central	9,165	207	8,958	6,310	5,809	501
Extracurricular Activities	134,639	131,007	3,632	80,187	78,658	1,529
Capital Outlay	3,000	2,000	1,000			
<b>Total Expenditures</b>	<b>4,887,468</b>	<b>4,709,043</b>	<b>178,425</b>	<b>367,465</b>	<b>348,844</b>	<b>18,621</b>
Excess of Revenues Over						
Excess of Revenues Under Expenditures	(241,846)	(60,039)	181,807	(49,530)	(26,995)	22,535
<b>Other Financing Sources (Uses):</b>						
Proceeds from the Sale of Fixed Assets	900	827	(73)			
Refund of Prior Year Expenditures	34,605	34,605				
Advances In	32,278	32,278		30,000	30,000	
Advances Out	(35,000)	(30,000)	5,000	(32,278)	(32,278)	
Operating Transfers Out	(5,000)	(5,000)				
Other Financing Sources						
<b>Total Other Financing Sources (Uses)</b>	<b>27,783</b>	<b>32,710</b>	<b>4,927</b>	<b>(2,278)</b>	<b>(2,278)</b>	
<b>Excess of Revenues and Other</b>						
Financing Sources Under						
Expenditures and Other Financing Uses	(214,063)	(27,329)	186,734	(51,808)	(29,273)	22,535
Fund Balances at Beginning of Year	937,506	937,506		80,333	80,333	
Prior Year Encumbrances Appropriated	40,306	40,306		1,908	1,908	
<b>Fund Balances at End of Year</b>	<b>\$763,749</b>	<b>\$950,483</b>	<b>\$186,734</b>	<b>\$30,433</b>	<b>\$52,968</b>	<b>\$22,535</b>

See accompanying notes to the general purpose financial statements.

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable	Revised Budget	Actual	Variance Favorable	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$163,186	\$161,911	(\$1,275)				\$1,405,630	\$1,404,646	(\$984)
16,728	18,003	1,275				579,960	579,960	
						2,915,590	2,919,754	4,164
						23,810	24,842	1,032
						48,457	48,718	261
						372	372	
						104,809	107,155	2,346
			\$1,000	\$1,000		16,677	15,966	(711)
						49,166	50,354	1,188
179,914	179,914		1,000	1,000		5,144,471	5,151,767	7,296
86,866	86,363	503				2,279,976	2,247,974	32,002
						381,830	371,818	10,012
						39,937	37,176	2,761
						498,313	455,174	43,139
						188,676	179,184	9,492
1,493	1,493					270,588	257,100	13,488
						42,641	36,666	5,975
2,807	2,745	62				461,872	452,118	9,754
2,689	2,689					219,818	210,199	9,619
						2,000	1,940	60
187,265	180,956	6,309				591,536	570,319	21,217
						325,565	294,784	30,781
						15,475	6,016	9,459
			1,500	1,500		216,326	211,165	5,161
66,338	65,870	468				69,338	67,870	1,468
347,458	340,116	7,342	1,500	1,500		5,603,891	5,399,503	204,388
(167,544)	(160,202)	7,342	(500)	(500)		(459,420)	(247,736)	211,684
						900	827	(73)
						34,605	34,605	
						62,278	62,278	
						(67,278)	(62,278)	5,000
						(5,000)	(5,000)	
						25,505	30,432	4,927
(167,544)	(160,202)	7,342	(500)	(500)		(433,915)	(217,304)	216,611
6,637	6,637		1,500	1,500		1,025,976	1,025,976	
158,704	158,704					200,918	200,918	
(\$2,203)	\$5,139	\$7,342	\$1,000	\$1,000	\$0	\$792,979	\$1,009,590	\$216,611

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND EQUITY  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u><b>Food Service</b></u>
<b>Operating Revenues:</b>	
Sales	\$101,195
<b>Operating Expenses:</b>	
Salaries	46,743
Fringe Benefits	24,471
Purchased Services	2,722
Materials and Supplies	4,629
Cost of Sales	62,353
Depreciation	2,999
Total Operating Expenses	<u>143,917</u>
Operating Loss	<u>(42,722)</u>
<b>Non-Operating Revenues:</b>	
Interest	16
Federal Donated Commodities	3,187
Federal and State Subsidies	<u>31,004</u>
Total Non-Operating Revenues	<u>34,207</u>
Loss Before Operating Transfers	(8,515)
Operating Transfers In	<u>5,000</u>
Net Loss	(3,515)
Accumulated Deficit at Beginning of Year	<u>(1,345)</u>
Retained Earnings (Deficit) at End of Year	(4,860)
Contributed Capital at Beginning and End of Year	<u>20,461</u>
Total Fund Equity at End of Year	<u><u>\$15,601</u></u>

*See accompanying notes to the general purpose financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>Food Service</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$96,198	\$101,195	\$4,997
Interest		16	16
Federal and State Subsidies	31,000	31,004	4
<b>Total Revenues</b>	<b>127,198</b>	<b>132,215</b>	<b>5,017</b>
<b>Expenses:</b>			
Salaries	50,006	49,072	934
Fringe Benefits	22,377	22,342	35
Purchased Services	4,937	4,663	274
Materials and Supplies	63,490	62,870	620
<b>Total Expenses</b>	<b>140,810</b>	<b>138,947</b>	<b>1,863</b>
Excess of Revenues Under Expenses	(13,612)	(6,732)	6,880
Advances - In	5,000		(5,000)
Operating Transfers In	5,000	5,000	
Excess of Revenues Under Expenses, Advances, and Transfers	(3,612)	(1,732)	1,880
Fund Equity at Beginning of Year	5,247	5,247	
Prior Year Encumbrances Appropriated			
<b>Fund Equity at End of Year</b>	<b>\$1,635</b>	<b>\$3,515</b>	<b>\$1,880</b>

*See accompanying notes to the general purpose financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Food Service</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$101,195
Cash Payments to Suppliers for Goods and Services	(67,533)
Cash Payments to Employees for Services	(49,072)
Cash Payments for Employee Benefits	(22,342)
	<hr/>
Net Cash Used for Operating Activities	(37,752)
	<hr/>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Federal and State Subsidies Received	31,004
Operating Transfers - In	5,000
	<hr/>
Net Cash Provided by Noncapital Financing Activities	36,004
	<hr/>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	16
	<hr/>
Net Decrease in Cash and Cash Equivalents	(1,732)
Cash and Cash Equivalents at Beginning of Year	5,247
	<hr/>
Cash and Cash Equivalents at End of Year	\$3,515
	<hr/> <hr/>
<b>Reconciliation of Operating Loss to Net</b>	
<b>Cash Used for Operating Activities:</b>	
Operating Loss	(\$42,722)
	<hr/>
<b>Adjustments to Reconcile Operating Loss to Net Cash</b>	
<b>Used for Operating Activities:</b>	
Depreciation	2,999
Donated Commodities Used During Year	4,258
<b>Changes in Assets and Liabilities:</b>	
Decrease in Materials and Supplies Inventory	42
Increase in Inventory Held for Resale	(188)
Increase in Prepaid Items	(392)
Decrease in Accrued Wages and Benefits	(4,215)
Increase in Compensated Absences Payable	481
Increase in Intergovernmental Payable	1,985
	<hr/>
Total Adjustments	4,970
	<hr/>
Net Cash Used for Operating Activities	(\$37,752)
	<hr/> <hr/>

Noncash Transactions: The School District received \$3,187 in Federal Donated Commodities in the food service enterprise fund during fiscal year 2003.

*See accompanying notes to the general purpose financial statements.*



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Cedar Cliff Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines. The School District serves an area of approximately 49 square miles. It is located in Greene County, and includes all of the Villages of Cedarville and Clifton and portions of Cedarville and Miami Townships.

**A. Reporting Entity**

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 of the School District 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 has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

**Village of Cedarville** - The village government of Cedarville is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

**Parent Teacher Organization** - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 15 and 16 to the general purpose financial statements. These organizations are:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund and the expendable trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(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.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise fund or the expendable trust fund).

**2. Proprietary Fund Type:**

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

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

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or expendable trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or expendable trust funds.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and fiduciary funds. The accrual basis of accounting is followed for the enterprise fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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 taxes, grants, interest, tuition, and student fees.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Preschool Grant, Entry Year Grant and a portion of the Title I and Title VI-B Grant Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, seven supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the fiscal year for all funds at the fund level, other than the agency fund and the Preschool Grant, Entry Year Grant and a portion of the Title I and Title VI-B Grant Special Revenue Funds, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**5. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The balance of the Preschool Grant, Entry Year Grant and a portion of the Title I and Title VI-B Grant Special Revenue Funds administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents." This represents deposits with the Greene County Educational Service Center.

During fiscal year 2003, the School District did not have any investments.

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 2003 amounted to \$24,215, which includes \$3,237 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of the enterprise fund consist of donated and purchased food held for resale and non-food supplies. All inventories are expensed when consumed.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for textbooks and instructional materials. See Note 17 for additional information regarding set-asides.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. 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 all employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the funds from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

Long-term obligations financed by the enterprise fund are reported as liabilities in the enterprise fund.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Fund Balance Reserves and Designations**

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, property taxes, and textbooks and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Established by Board resolution, the designations represent monies set-aside by the School District for future expenditures related to budget stabilization.

**M. 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.

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1998, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY**

At June 30, 2003, the Title I and Title II Special Revenue Funds had deficit fund balances of \$1,159 and \$170, respectively, and the Food Service Enterprise Fund had an accumulated deficit of \$4,860. The General Fund is liable for deficits in these funds and provides operating transfers when cash is required, not when accruals occur. The School District will continue to monitor the deficit in the Food Service Enterprise Fund, and possibly raise fees to eliminate the deficit.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. The School District does not budget for the Preschool Grant, Entry Year Grant and a portion of the Title I and Title VI-B Special Revenue Funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Cedar Cliff Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

<b>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	(\$72,866)	(\$25,240)	(\$149,937)	(\$500)
Adjustments:				
Revenue Accruals	84,260	(2,506)	4,157	0
Expenditure Accruals	39,149	7,325	(10,596)	0
Prepays	2,667	0	0	0
Encumbrances	(82,817)	(2,161)	(3,826)	0
Non-budgeted Activity	0	(4,413)	0	0
Advances	2,278	(2,278)	0	0
Budget Basis	(\$27,329)	(\$29,273)	(\$160,202)	(\$500)

**Net Loss/Excess of Revenues  
Under Expenses and Transfers  
Enterprise Fund**

GAAP Basis	(\$3,515)
Expense Accruals	(683)
Prepays	392
Materials and Supplies Inventory	(42)
Inventory Held for Resale	188
Donated Commodities	(1,071)
Depreciation	2,999
Budget Basis	(\$1,732)

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$1,119,475 and the bank balance was \$1,284,568. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$1,084,568 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State 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 Federal Deposit Insurance Corporation.

**Investments:** The School District had no investments at June 30, 2003.

**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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003, 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, 2003, was \$87,140 in the general fund and \$11,153 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$103,400 in the general fund and \$15,310 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$58,410,100	89.53%	\$61,758,250	90.29%
Tangible Personal Property	6,832,920	10.47%	6,640,654	9.71%
Total Assessed Value	<u>\$65,243,020</u>	<u>100.00%</u>	<u>\$68,398,904</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$35.55	

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 revenues in the amount of \$549,124 were credited to the General Fund during fiscal year 2003.

**8. RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, income taxes, accounts, intergovernmental, and accrued interest. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables</b>	<b>Amounts</b>
General Fund:	
Overpayment of Fees	\$8,738
Special Revenue Funds:	
Title VI-B Grant	3,035
Title I Grant	3,156
Total Special Revenue Funds	6,191
Total All Funds	\$14,929

**9. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$51,622
Less Accumulated Depreciation	(29,569)
Net Fixed Assets	\$22,053

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Restated Balance at 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/03</u>
Land and Improvements	\$39,350	\$0	\$0	\$39,350
Buildings and Improvements	1,221,249	147,365	0	1,368,614
Furniture, Fixtures and Equipment	1,152,281	178,528	15,849	1,314,960
Vehicles	361,935	58,761	34,151	386,545
<b>Totals</b>	<b>\$2,774,815</b>	<b>\$384,654</b>	<b>\$50,000</b>	<b>\$3,109,469</b>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for property and fleet insurance, while the School District contracted with Great American Alliance Insurance Company for liability insurance and inland coverage.

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (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, Inc. provides administrative, cost control, and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002 and 2001 were \$76,195, \$23,866 and \$20,639 respectively; 64.55 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002, and 2001 were \$321,444, \$195,862, and \$214,137 respectively; 84.54 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,120 made by the School District and \$2,824 made by the plan members.

**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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums.

Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$24,726 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002.

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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$58,111.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

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

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<b>Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Outstanding 6/30/03</b>
Intergovernmental Payable	\$7,046	\$33,488	\$7,046	\$33,488
Compensated Absences	360,041	38,958	0	398,999
Total General Long-Term Obligations	<u>\$367,087</u>	<u>\$72,446</u>	<u>\$7,046</u>	<u>\$432,487</u>

The intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$6,155,901 with an unvoted debt margin of \$68,399 at June 30, 2003.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS**

**Miami Valley Educational Computer Association** - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium.

MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. 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 districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$15,174 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**Southwestern Ohio Educational Purchasing Council** - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the Council 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 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 forfeits 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 will be liable for all member obligations during this one year period.

Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$4,537 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 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. During fiscal year 2003, the School District paid \$4,584 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**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. One member is appointed from the following school districts: Xenia City, Fairborn City, Beavercreek Local, Cedar Cliff Local, Greeneview Local, Sugarcreek Local, and Yellow Springs Exempted Village. During fiscal year 2003, the School District had no financial transactions with the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Steve Sutcliff, who serves as Treasurer, at 2960 West Enon Road, Xenia, Ohio 45385.

**16. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen 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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal 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 fiscal year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	\$73,310	\$0
Current Year Set-aside Requirement	84,263	84,263
Reduction in Requirement on Revised Legislation	0	0
Current Year Offsets	0	(162,439)
Qualifying Disbursements	(111,531)	(58,198)
Totals	<u>\$46,042</u>	<u>(\$136,374)</u>
Set-aside Balances Carried Forward		
To Future Fiscal Years	<u>\$46,042</u>	<u>(\$132,374)</u>
Set-aside Reserve Balances as of June 30, 2003	<u>\$46,042</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward and reduce the set-aside required in future fiscal years.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**18. STATE SCHOOL FUNDING DECISION**

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

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

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

**19. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2003. The School District does not have any pending litigation.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Assets and Other Debits:</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$904,502	\$82,241	\$165,341
Cash and Cash Equivalents With Fiscal Agent		422	
<b>Receivables:</b>			
Property Taxes	1,114,257		150,961
Income Tax	243,812		
Accounts	1,200		
Intergovernmental	51,000	16,523	
Accrued Interest	1,364		
Interfund	2,278		
Prepaid Items	12,883		
Inventory Held for Resale			
Materials and Supplies Inventory	8,109		
<b>Restricted Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	73,310		
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)			
<b>Other Debits:</b>			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	<u>2,412,715</u>	<u>99,186</u>	<u>316,302</u>
<b>Liabilities,</b>			
<b>Fund Equity and Other Credits:</b>			
<b>Liabilities:</b>			
Accounts Payable	10,159	98	
Contracts Payable			10,597
Accrued Wages and Benefits	334,031	14,408	
Compensated Absences Payable	2,215		
Interfund Payable		2,278	
Due To Students			
Intergovernmental Payable	71,102	1,647	
Deferred Revenue	1,034,228	14,245	135,651
Total Liabilities	<u>1,451,735</u>	<u>32,676</u>	<u>146,248</u>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved			
Fund Balance:			
Reserved for Encumbrances	32,986	1,809	148,106
Reserved for Property Taxes	103,400		15,310
Reserved for Textbooks and Instructional Materials	73,310		
Unreserved:			
Designated for Budget Stabilization	59,951		
Undesignated	691,333	64,701	6,638
Total Fund Equity and Other Credits	<u>960,980</u>	<u>66,510</u>	<u>170,054</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,412,715</u>	<u>\$99,186</u>	<u>\$316,302</u>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$5,247	\$21,390			\$1,178,721 422
				1,265,218
				243,812
				1,200
				67,523
				1,364
				2,278
				12,883
3,145				3,145
714				8,823
				73,310
25,052		\$2,774,815		2,799,867
			\$367,087	367,087
<u>34,158</u>	<u>21,390</u>	<u>2,774,815</u>	<u>367,087</u>	<u>6,025,653</u>
				10,257
				10,597
11,429				359,868
1,412			360,041	363,668
				2,278
	19,890			19,890
2,201			7,046	81,996
				1,184,124
<u>15,042</u>	<u>19,890</u>		<u>367,087</u>	<u>2,032,678</u>
		2,774,815		2,774,815
20,461				20,461
(1,345)				(1,345)
				182,901
				118,710
				73,310
				59,951
	1,500			764,172
<u>19,116</u>	<u>1,500</u>	<u>2,774,815</u>		<u>3,992,975</u>
<u>\$34,158</u>	<u>\$21,390</u>	<u>\$2,774,815</u>	<u>\$367,087</u>	<u>\$6,025,653</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b>Revenues:</b>					
Property Taxes	\$1,176,590		\$164,718		\$1,341,308
Income Tax	586,819				586,819
Intergovernmental	2,649,116	\$156,401	50,277		2,855,794
Interest	35,368				35,368
Tuition and Fees	33,456				33,456
Rent	890				890
Extracurricular Activities	0	187,997			187,997
Gifts and Donations	4,610	1,250		\$1,500	7,360
Miscellaneous	39,655		82,295		121,950
<b>Total Revenues</b>	<b>4,526,504</b>	<b>345,648</b>	<b>297,290</b>	<b>1,500</b>	<b>5,170,942</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,164,999	60,081	41,732		2,266,812
Special	311,459	70,634			382,093
Vocational	35,235				35,235
Support Services:					
Pupils	279,840	55,761			335,601
Instructional Staff	162,252	38,332			200,584
Board of Education	28,428				28,428
Administration	432,266		3		432,269
Fiscal	182,328		2,565		184,893
Business	2,878				2,878
Operation and Maintenance of Plant	351,715		265,851		617,566
Pupil Transportation	292,010		19,477		311,487
Central	7,017	2,881			9,898
Extracurricular Activities	135,664	125,846		1,500	263,010
Capital Outlay			5,716		5,716
<b>Total Expenditures</b>	<b>4,386,091</b>	<b>353,535</b>	<b>335,344</b>	<b>1,500</b>	<b>5,076,470</b>
Excess of Revenues Over (Under) Expenditures	140,413	(7,887)	(38,054)		94,472
<b>Other Financing Uses:</b>					
Operating Transfers Out	(15,000)				(15,000)
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	125,413	(7,887)	(38,054)		79,472
Fund Balances at Beginning of Year	835,567	74,397	208,108	1,500	1,119,572
Fund Balances at End of Year	<u>\$960,980</u>	<u>\$66,510</u>	<u>\$170,054</u>	<u>\$1,500</u>	<u>\$1,199,044</u>

See accompanying notes to the general purpose financial statements

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>						
Property Taxes	\$1,079,378	\$1,141,525	\$62,147			
Income Tax	558,735	588,465	29,730			
Intergovernmental	2,411,745	2,585,786	174,041	\$169,974	\$171,935	\$1,961
Interest	33,168	36,260	3,092			
Tuition and Fees	43,570	45,135	1,565			
Rent	1,455	890	(565)			
Extracurricular Activities				165,888	187,997	22,109
Gifts and Donations	4,377	4,610	233	5,378	1,250	(4,128)
Miscellaneous	38,134	39,317	1,183			
<b>Total Revenues</b>	<u>4,170,562</u>	<u>4,441,988</u>	<u>271,426</u>	<u>341,240</u>	<u>361,182</u>	<u>19,942</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,003,707	1,979,245	24,462	73,835	55,725	18,110
Special	332,295	307,726	24,569	71,906	63,297	8,609
Vocational	41,716	34,979	6,737			
Other	177,650	177,520	130			
Support Services:						
Pupils	289,758	280,096	9,662	58,127	56,098	2,029
Instructional Staff	184,533	161,597	22,936	54,917	46,806	8,111
Board of Education	42,581	32,482	10,099			
Administration	454,278	441,412	12,866			
Fiscal	203,782	188,755	15,027			
Business	2,950	2,878	72			
Operation and Maintenance of Plant	392,587	365,878	26,709			
Pupil Transportation	330,398	304,914	25,484			
Central	8,680	7,017	1,663	4,191	4,191	
Extracurricular Activities	161,351	132,141	29,210	143,084	125,911	17,173
Capital Outlay	5,000		5,000			
<b>Total Expenditures</b>	<u>4,631,266</u>	<u>4,416,640</u>	<u>214,626</u>	<u>406,060</u>	<u>352,028</u>	<u>54,032</u>
Excess of Revenues Over (Under) Expenditures	<u>(460,704)</u>	<u>25,348</u>	<u>486,052</u>	<u>(64,820)</u>	<u>9,154</u>	<u>73,974</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from the Sale of Fixed Assets	200		(200)			
Refund of Prior Year Expenditures	26,852	26,852				
Advances In	173,485	173,485		2,278	2,278	
Advances Out	(2,278)	(2,278)		(8,485)	(8,485)	
Operating Transfers Out	(15,000)	(15,000)				
Other Financing Sources	194	210	16			
<b>Total Other Financing Sources (Uses)</b>	<u>183,453</u>	<u>183,269</u>	<u>(184)</u>	<u>(6,207)</u>	<u>(6,207)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(277,251)</u>	<u>208,617</u>	<u>485,868</u>	<u>(71,027)</u>	<u>2,947</u>	<u>73,974</u>
Fund Balances at Beginning of Year	696,395	696,395		77,015	77,015	
Prior Year Encumbrances Appropriated	32,494	32,494		371	371	
<b>Fund Balances at End of Year</b>	<u>\$451,638</u>	<u>\$937,506</u>	<u>\$485,868</u>	<u>\$6,359</u>	<u>\$80,333</u>	<u>\$73,974</u>

See accompanying notes to the general purpose financial statements.

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable	Revised Budget	Actual	Variance Favorable	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$153,085	\$159,635	\$6,550				\$1,232,463	\$1,301,160	\$68,697
49,526	50,277	751				558,735	588,465	29,730
						2,631,245	2,807,998	176,753
						33,168	36,260	3,092
						43,570	45,135	1,565
						1,455	890	(565)
						165,888	187,997	22,109
				1,500	1,500	9,755	7,360	(2,395)
82,922	82,295	(627)				121,056	121,612	556
<u>285,533</u>	<u>292,207</u>	<u>6,674</u>		<u>1,500</u>	<u>1,500</u>	<u>4,797,335</u>	<u>5,096,877</u>	<u>299,542</u>
43,007	41,732	1,275				2,120,549	2,076,702	43,847
						404,201	371,023	33,178
						41,716	34,979	6,737
						177,650	177,520	130
						347,885	336,194	11,691
						239,450	208,403	31,047
						42,581	32,482	10,099
10	3	7				454,288	441,415	12,873
2,571	2,566	5				206,353	191,321	15,032
						2,950	2,878	72
417,088	413,960	3,128				809,675	779,838	29,837
19,477	19,477					349,875	324,391	25,484
						12,871	11,208	1,663
			1,500	1,500		305,935	259,552	46,383
7,510	5,716	1,794				12,510	5,716	6,794
<u>489,663</u>	<u>483,454</u>	<u>6,209</u>	<u>1,500</u>	<u>1,500</u>		<u>5,528,489</u>	<u>5,253,622</u>	<u>274,867</u>
(204,130)	(191,247)	12,883	(1,500)		1,500	(731,154)	(156,745)	574,409
						200		(200)
						26,852	26,852	
						175,763	175,763	
(165,000)	(165,000)					(175,763)	(175,763)	
						(15,000)	(15,000)	
						194	210	16
<u>(165,000)</u>	<u>(165,000)</u>					<u>12,246</u>	<u>12,062</u>	<u>(184)</u>
(369,130)	(356,247)	12,883	(1,500)		1,500	(718,908)	(144,683)	574,225
44,147	44,147		1,500	1,500		819,057	819,057	
318,737	318,737					351,602	351,602	
<u>(\$6,246)</u>	<u>\$6,637</u>	<u>\$12,883</u>	<u>\$0</u>	<u>\$1,500</u>	<u>\$1,500</u>	<u>\$451,751</u>	<u>\$1,025,976</u>	<u>\$574,225</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND EQUITY  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u><b>Food Service</b></u>
<b>Operating Revenues:</b>	
Sales	<u>\$109,995</u>
<b>Operating Expenses:</b>	
Salaries	54,495
Fringe Benefits	25,483
Purchased Services	5,349
Materials and Supplies	6,680
Cost of Sales	77,765
Depreciation	3,077
Capital Outlay	557
Other	<u>50</u>
Total Operating Expenses	<u>173,456</u>
Operating Loss	<u>(63,461)</u>
<b>Non-Operating Revenues:</b>	
Interest	239
Federal Donated Commodities	21,741
Federal and State Subsidies	<u>31,890</u>
Total Non-Operating Revenues	<u>53,870</u>
Loss Before Operating Transfers	(9,591)
Operating Transfers In	<u>15,000</u>
Net Income	5,409
Retained Earnings at Beginning of Year	<u>(6,754)</u>
Retained Earnings at End of Year	(1,345)
Contributed Capital at Beginning and End of Year	<u>20,461</u>
Total Fund Equity at End of Year	<u><u>\$19,116</u></u>

*See accompanying notes to the general purpose financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Food Service</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Sales	\$109,995	\$109,995	
Interest	239	239	
Federal and State Subsidies	31,890	31,890	
<b>Total Revenues</b>	<b>142,124</b>	<b>142,124</b>	
<b>Expenses:</b>			
Salaries	57,603	56,699	\$904
Fringe Benefits	26,948	26,948	
Purchased Services	5,386	5,348	38
Materials and Supplies	63,782	63,674	108
Capital Outlay	2,336	2,336	
Other	50	50	
<b>Total Expenses</b>	<b>156,105</b>	<b>155,055</b>	<b>1,050</b>
Excess of Revenues Over (Under) Expenses	(13,981)	(12,931)	1,050
Operating Transfers In	15,000	15,000	
Excess of Revenues Over Expenses and Transfers	1,019	2,069	1,050
Fund Equity at Beginning of Year	3,073	3,073	
Prior Year Encumbrances Appropriated	105	105	
<b>Fund Equity at End of Year</b>	<b>\$4,197</b>	<b>\$5,247</b>	<b>\$1,050</b>

*See accompanying notes to the general purpose financial statements.*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Food Service</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$109,995
Cash Payments to Suppliers for Goods and Services	(69,579)
Cash Payments to Employees for Services	(56,699)
Cash Payments for Employee Benefits	(26,948)
Cash Payments for Other Operating Activities	(50)
	<hr/>
Net Cash Used for Operating Activities	(43,281)
	<hr/>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Federal and State Subsidies Received	31,890
Operating Transfers - In	15,000
	<hr/>
Net Cash Provided by Noncapital Financing Activities	46,890
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(1,779)
	<hr/>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	239
	<hr/>
Net Increase in Cash and Cash Equivalents	2,069
Cash and Cash Equivalents at Beginning of Year	3,178
	<hr/>
Cash and Cash Equivalents at End of Year	\$5,247
	<hr/> <hr/>
<b>Reconciliation of Operating Loss to Net</b>	
<b>Cash Used for Operating Activities:</b>	
Operating Loss	(\$63,461)
	<hr/>
<b>Adjustments to Reconcile Operating Loss to Net Cash</b>	
<b>Used for Operating Activities:</b>	
Depreciation	3,077
Donated Commodities Used During Year	20,670
<b>Changes in Assets and Liabilities:</b>	
Decrease in Materials and Supplies Inventory	377
Increase in Inventory Held for Resale	(276)
Decrease in Compensated Absences Payable	(3,949)
Increase in Accrued Wages and Benefits	2,173
Decrease in Intergovernmental Payable	(1,892)
	<hr/>
Total Adjustments	20,180
	<hr/>
Net Cash Used for Operating Activities	(\$43,281)
	<hr/> <hr/>
Noncash Transactions: The School District received \$21,741 in Federal Donated Commodities in the food service enterprise fund during fiscal year 2002.	

*See accompanying notes to the general purpose financial statements.*



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Cedar Cliff Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District serves an area of approximately 49 square miles. It is located in Greene County, and includes all of the Villages of Cedarville and Clifton and portions of Cedarville and Miami Townships. It is staffed by 24 non-certificated employees, 43 certificated full-time teaching personnel and 3 administrative employees who provide services to 650 students and other community members. The School District currently operates 2 instructional buildings.

**A. Reporting Entity:**

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 of the School District 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 has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

**Village of Cedarville** - The village government of Cedarville is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

**Parent Teacher Association** - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 16 and 17 to the general purpose financial statements. These organizations are:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund and the expendable trust fund) are accounted for through governmental funds. The following are the School District's governmental fund types:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise fund or the expendable trust fund).

**2. Proprietary Fund Type:**

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

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

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or expendable trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or expendable trust funds.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and fiduciary funds. The full accrual basis of accounting is followed for the enterprise fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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 taxes, grants, interest, tuition, and student fees.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Eisenhower Grant, Parent Mentor Grant, Preschool Grant, and Entry Year Grant Special Revenue Fund grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, five supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds at the fund level, other than the agency fund and the Eisenhower Grant, Parent Mentor Grant, Preschool Grant, and Entry Year Grant Special Revenue Funds, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**5. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The balance of the Eisenhower Grant, Parent Mentor Grant, Preschool Grant, and Entry Year Grant Special Revenue Funds administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents." This represents deposits with the Greene County Educational Service Center.

During fiscal year 2002, the School District did not have any investments.

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 2002 amounted to \$35,368, which includes \$9,180 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund consist of donated and purchased food held for resale, and non-food supplies and are expensed when consumed.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for textbooks. See Note 18 for additional information regarding set-asides.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed 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 five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables."

**J. 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 all employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the funds from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources.

Long-term obligations financed by the enterprise fund are reported as liabilities in the enterprise fund.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves and Designations**

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

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Established by Board resolution, the designations represent monies set-aside by the School District for future expenditures related to budget stabilization.

**N. 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY**

At June 30, 2002, the Title I Special Revenue Fund had a deficit fund balance of \$104 and the Lunchroom Enterprise Fund had deficit retained earnings of \$1,345. The General Fund is liable for deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

4. The School District does not budget for the Eisenhower Grant, Parent Mentor Grant, Preschool Grant, and Entry Year Grant Special Revenue Funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Cedar Cliff Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. For the Enterprise Fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	\$125,413	(\$7,887)	(\$38,054)
Adjustments:			
Revenue Accruals	(63,938)	17,909	(5,083)
Expenditure Accruals	9,757	(483)	10,594
Encumbrances	(40,306)	(1,908)	(158,704)
Prepays	6,484	0	0
Non-budgeted Activity	0	1,523	0
Advances	171,207	(6,207)	(165,000)
Budget Basis	\$208,617	\$2,947	(\$356,247)

**Net Income/Excess of Revenues  
Over Expenses and Transfers  
Enterprise Fund**

	<b>Enterprise</b>
GAAP Basis	\$5,409
Revenue Accruals	0
Expense Accruals	(4,537)
Encumbrances	0
Capital Acquisitions	(1,779)
Materials and Supplies	(377)
Prepaid Items	392
Inventory Held for Resale	276
Donated Commodities	(392)
Depreciation	3,077
Budget Basis	\$2,069

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At fiscal year-end, the carrying amount of the School District's deposits was \$1,251,981 and the bank balance was \$1,385,995. Of the bank balance:

2. \$200,000 was covered by federal depository insurance; and
2. \$1,185,995 was uninsured and uncollateralized. Although all State 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 Federal Deposit Insurance Corporation.

**Investments:** The School District had no investments at June 30, 2002.

**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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$50,800,020	86.99%	\$58,410,100	89.53%
Tangible Personal Property	7,595,345	13.01%	6,832,920	10.47%
Total Assessed Value	<u>\$58,395,365</u>	<u>100.00%</u>	<u>\$65,243,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.55		\$35.55	

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, 2002, are available to finance fiscal year 2002 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property and tangible personal property taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$103,400 in the General Fund and \$15,310 in the Permanent Improvement Capital Projects Fund.

**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 revenues in the amount of \$586,819 were credited to the General Fund during fiscal year 2002.

**8. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts, intergovernmental, accrued interest, income tax, and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables</b>	<b>Amounts</b>
General Fund:	
Transportation Fees	\$15,458
Overpayment of Fees	35,542
Total General Fund	51,000
Special Revenue Funds:	
Title VI-B Grant	1,440
Title VI Grant	2,278
Reducing Class Size Grant	12,805
Total Special Revenue Funds	16,523
Total All Funds	\$67,523

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**9. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$51,622
Less Accumulated Depreciation	<u>(26,570)</u>
Net Fixed Assets	<u><u>\$25,052</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$39,350	\$0	\$0	\$39,350
Buildings and Improvements	1,152,674	68,575	0	1,221,249
Furniture, Fixtures and Equipment	852,665	316,689	17,073	1,152,281
Vehicles	303,217	58,718	0	361,935
Totals	<u><u>\$2,347,906</u></u>	<u><u>\$443,982</u></u>	<u><u>\$17,073</u></u>	<u><u>\$2,774,815</u></u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Indiana Insurance for property and fleet insurance, while the School District contracted with Great American Alliance Insurance Company for liability insurance and inland coverage.

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

Building and Contents-replacement cost (\$500 deductible)	\$12,729,836
Inland Marine Coverage (\$250 deductible)	140,486
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	3,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. 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 of Ohio (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 State statute per 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$23,866, \$20,639, and \$22,946, respectively; 82.73 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$4,122 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$195,862, \$214,137, and \$121,121, respectively; 83.95 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$31,437 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$92,777 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$46,258.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is 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 45.75 days for all 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  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<b>Outstanding 6/30/01</b>	<b>Additions</b>	<b>Deductions</b>	<b>Outstanding 6/30/02</b>
Intergovernmental Payable	\$24,207	\$7,046	\$24,207	\$7,046
Compensated Absences	363,889	0	3,848	360,041
Total General Long-Term Obligations	<u>\$388,096</u>	<u>\$7,046</u>	<u>\$28,055</u>	<u>\$367,087</u>

The intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$5,871,872 with an unvoted debt margin of \$65,243 at June 30, 2002.

**15. INTERFUND ACTIVITY**

As of June 30, 2002, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$2,278 and the Title IV Special Revenue Fund had an interfund payable of \$2,278.

**16. JOINTLY GOVERNED ORGANIZATIONS**

**Miami Valley Educational Computer Association** - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. 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 districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$13,434 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**Southwestern Ohio Educational Purchasing Council** - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the Council 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 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 will be liable for all member obligations during this one year period.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

Payments to SOEPC are made from the General Fund. During fiscal year 2002, the School District paid \$561 for membership in the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, 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 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. During fiscal year 2002, the School District paid \$6,302 to SOITA. To obtain financial information, write to the 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. One member is appointed from the following school districts: Xenia City, Fairborn City, Beavercreek Local, Cedar Cliff Local, Greeneview Local, Sugarcreek Local, and Yellow Springs Exempted Village. During fiscal year 2002, the School District had no financial transactions with the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Steve Sutcliff, who serves as Treasurer, at 2960 West Enon Road, Xenia, Ohio 45385.

**17. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen 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 year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**18. SET-ASIDE CALCULATIONS**

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

For the fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget stabilization set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be retained for budget stabilization.

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</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Reserve Balance as of June 30, 2001	\$74,197	\$0	\$30,637
Current Year Set-aside Requirement	74,945	74,945	0
Current Year Offsets	0	(156,635)	0
Qualifying Disbursements	(75,832)	(49,401)	(30,637)
<b>Totals</b>	<b>\$73,310</b>	<b>(\$131,091)</b>	<b>\$0</b>
Set-aside Balances Carried Forward			
To Future Fiscal Years	\$73,310	(\$131,091)	\$0
Set-aside Reserve Balances as of June 30, 2002	\$73,310	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward and reduce the set-aside required in future years.

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<b>Company</b>	<b>Amount Remaining on Contract</b>
Alloyd Sheet Metal	\$136,656
SEM Partners	11,000
Cooper and Gentile Co.	10,000
Mays Lock Service	10,000
<b>Total</b>	<b>\$167,656</b>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. STATE SCHOOL FUNDING DECISION**

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

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

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

**21. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2002. The School District does not have any pending litigation.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the accompanying financial statements of Cedar Cliff Local School District, Greene County (the District) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated November 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 21, 2003.

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

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

**Betty Montgomery**  
Auditor of State

November 21, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 5, 2004**