



**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Cedar Cliff Local School District
Greene County
P.O. Box 45
Cedarville, Ohio 45314-0045

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, 1999 and 1998, 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 generally accepted auditing standards 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 District, as of June 30, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements for the year ended June 30, 1998, the District changed its method of accounting of investments and investment pools to conform with Governmental Accounting Standards Board (GASB) Statement No. 31. The District also restated the fund equity of the General Fund and General Long-Term Account Group due to reclassification of a debt issue.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2000 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.

Jim Petro
Auditor of State

January 28, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

| | <u>Governmental Fund Types</u> | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| ASSETS AND OTHER DEBITS | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$438,571 | \$54,041 | \$74,105 | \$237,364 |
| Cash and Cash Equivalents with Fiscal Agents | | 5,263 | | |
| Receivables: | | | | |
| Income Taxes | 228,815 | | | |
| Property and Other Taxes | 998,474 | | 63,880 | 129,037 |
| Accounts | 29,486 | 159 | | |
| Intergovernmental | 9,816 | 6,770 | | |
| Accrued Interest | 1,997 | | | |
| Interfund | 186,700 | | | |
| Prepaid Items | 5,281 | | | |
| Inventory of Supplies and Materials | 6,383 | | | |
| Inventory Held for Resale | | | | |
| Restricted Asset: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 41,606 | | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | | |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund for Retirement of General Long-Term Debt | | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | |
| Total Assets and Other Debits | <u>\$1,947,129</u> | <u>\$66,233</u> | <u>\$137,985</u> | <u>\$366,401</u> |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$23,807 | | | \$13,332 |
| Accrued Wages and Benefits Payable | 279,933 | 9,995 | | |
| Intergovernmental Payable | 73,583 | 1,333 | | |
| Interfund Payable | | | | 186,700 |
| Due to Students | | | | |
| Deferred Revenue | 914,913 | | 59,347 | 119,419 |
| Compensated Absences Payable | 3,804 | | | |
| Energy Conservation Loan Payable | | | | |
| General Obligation Bonds Payable | | | | |
| Total Liabilities | <u>1,296,040</u> | <u>11,328</u> | <u>59,347</u> | <u>319,451</u> |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Retained Earnings: | | | | |
| Unreserved (Deficit) | | | | |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 27,692 | 2,113 | | 202,819 |
| Reserved for Inventory | 6,383 | | | |
| Reserved for Property Taxes | 86,944 | | 4,533 | 9,618 |
| Reserved for Budget Stabilization | 30,637 | | | |
| Reserved for School Bus Purchases | 10,969 | | | |
| Unreserved, Undesignated (Deficit) | 488,464 | 52,792 | 74,105 | (165,487) |
| Total Fund Equity (Deficit) and Other Credits | <u>651,089</u> | <u>54,905</u> | <u>78,638</u> | <u>46,950</u> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$1,947,129</u> | <u>\$66,233</u> | <u>\$137,985</u> | <u>\$366,401</u> |

The notes to the general purpose financial statements are an integral part of this statement.

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|--------------------------|------------------------|----------------------------|------------------------------|-------------------------------|
| | | General Fixed Assets | General Long-Term Debt | |
| Enterprise | Trust and Agency | | | |
| \$4,697 | \$23,676 | | | \$832,454 5,263 |
| | | | | 228,815 |
| 24 | | | | 1,191,391 |
| | | | | 29,669 |
| | | | | 16,586 |
| | | | | 1,997 |
| | | | | 186,700 |
| 681 | | | | 5,281 |
| 2,005 | | | | 7,064 |
| | | | | 2,005 |
| | | | | 41,606 |
| 6,892 | | 1,775,958 | | 1,782,850 |
| | | | 78,638 | 78,638 |
| | | | 463,329 | 463,329 |
| <u>\$14,299</u> | <u>\$23,676</u> | <u>\$1,775,958</u> | <u>\$541,967</u> | <u>\$4,873,648</u> |
| | | | | \$37,139 |
| 9,204 | | | | 299,132 |
| 4,557 | | | 21,348 | 100,821 |
| | | | | 186,700 |
| | 22,176 | | | 22,176 |
| 700 | | | | 1,094,379 |
| 5,424 | | | 353,619 | 362,847 |
| | | | 42,000 | 42,000 |
| | | | 125,000 | 125,000 |
| <u>19,885</u> | <u>22,176</u> | | <u>541,967</u> | <u>2,270,194</u> |
| | | 1,775,958 | | 1,775,958 |
| (5,586) | | | | (5,586) |
| | | | | 232,624 |
| | | | | 6,383 |
| | | | | 101,095 |
| | | | | 30,637 |
| | | | | 10,969 |
| | 1,500 | | | 451,374 |
| <u>(5,586)</u> | <u>1,500</u> | <u>1,775,958</u> | | <u>2,603,454</u> |
| <u>\$14,299</u> | <u>\$23,676</u> | <u>\$1,775,958</u> | <u>\$541,967</u> | <u>\$4,873,648</u> |

**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, 1999**

| | Governmental Fund Types | | | | Fiduciary Fund Type |
|--|-------------------------|--------------------|-----------------|---------------------|------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
| Revenues: | | | | | |
| Income Taxes | \$566,281 | | | | |
| Property and Other Taxes | 1,014,572 | | 70,033 | 135,765 | |
| Tuition and Fees | 65,661 | | | | |
| Interest | 48,348 | | | | |
| Intergovernmental | 1,997,643 | 118,488 | 7,900 | 184,011 | |
| Extracurricular Activities | | 133,726 | | | |
| Gifts and Donations | 650 | 3,258 | | | 2,000 |
| Rent | 990 | | | | |
| Miscellaneous | 55,235 | 500 | | | |
| Total Revenues | <u>3,749,380</u> | <u>255,972</u> | <u>77,933</u> | <u>319,776</u> | <u>2,000</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 1,788,643 | 14,739 | | 150,649 | |
| Special | 392,464 | 55,801 | | | |
| Vocational | 32,572 | | | | |
| Support Services: | | | | | |
| Pupils | 194,376 | | | | |
| Instructional Staff | 98,754 | 30,453 | | | |
| Board of Education | 22,288 | | | | |
| Administration | 349,746 | 60,943 | | | |
| Fiscal | 135,163 | 2,500 | 1,124 | 2,161 | |
| Business | 1,652 | | | | |
| Operation and Maintenance of Plant | 293,982 | 1,093 | | 211,540 | |
| Pupil Transportation | 203,492 | | | | |
| Central | 996 | 565 | | | |
| Extracurricular Activities | 107,117 | 86,235 | | | 2,250 |
| Capital Outlay | 2,739 | | | 35,519 | |
| Debt Service: | | | | | |
| Principal Retirement | 19,000 | | 60,000 | | |
| Interest and Fiscal Charges | 4,270 | | 12,594 | | |
| Total Expenditures | <u>3,647,254</u> | <u>252,329</u> | <u>73,718</u> | <u>399,869</u> | <u>2,250</u> |
| Excess of Revenues Over (Under) Expenditures | <u>102,126</u> | <u>3,643</u> | <u>4,215</u> | <u>(80,093)</u> | <u>(250)</u> |
| Other Financing Sources: | | | | | |
| Proceeds from Sale of Fixed Assets | 412 | | | | |
| Total Other Financing Sources | <u>412</u> | | | | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures | 102,538 | 3,643 | 4,215 | (80,093) | (250) |
| Fund Balances at Beginning of Year-Restated (Note 3) | 548,608 | 51,262 | 74,423 | 127,043 | 1,750 |
| Decrease in Reserve for Inventory | (57) | | | | |
| Fund Balances at End of Year | <u>\$651,089</u> | <u>\$54,905</u> | <u>\$78,638</u> | <u>\$46,950</u> | <u>\$1,500</u> |

The notes to the general purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | General | | | Special Revenue | | |
|---|-------------------|------------------|--|-------------------|-----------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Income Taxes | \$511,365 | \$532,789 | \$21,424 | \$0 | \$0 | \$0 |
| Property and Other Taxes | 938,308 | 977,940 | 39,632 | 0 | 0 | 0 |
| Tuition and Fees | 48,373 | 52,738 | 4,365 | 0 | 0 | 0 |
| Interest | 43,190 | 47,917 | 4,727 | 0 | 0 | 0 |
| Intergovernmental | 1,912,976 | 1,994,322 | 81,346 | 91,287 | 96,919 | 5,632 |
| Extracurricular Activities | 0 | 0 | 0 | 130,535 | 133,567 | 3,032 |
| Gifts and Donations | 100 | 650 | 550 | 4,400 | 3,258 | (1,142) |
| Rent | 672 | 990 | 318 | 0 | 0 | 0 |
| Miscellaneous | 43,190 | 50,246 | 7,056 | 0 | 500 | 500 |
| Total Revenues | 3,498,174 | 3,657,592 | 159,418 | 226,222 | 234,244 | 8,022 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 1,762,078 | 1,759,251 | 2,827 | 14,055 | 12,279 | 1,776 |
| Special | 278,542 | 277,164 | 1,378 | 58,770 | 57,530 | 1,240 |
| Vocational | 32,823 | 32,251 | 572 | 0 | 0 | 0 |
| Other | 147,923 | 131,541 | 16,382 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 207,914 | 203,570 | 4,344 | 0 | 0 | 0 |
| Instructional Staff | 98,768 | 97,693 | 1,075 | 24,326 | 21,563 | 2,763 |
| Board of Education | 23,731 | 22,211 | 1,520 | 0 | 0 | 0 |
| Administration | 354,289 | 348,186 | 6,103 | 61,575 | 60,943 | 632 |
| Fiscal | 139,568 | 133,803 | 5,765 | 2,500 | 2,500 | 0 |
| Business | 1,700 | 1,652 | 48 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 318,453 | 298,278 | 20,175 | 1,093 | 1,093 | 0 |
| Pupil Transportation | 212,363 | 208,097 | 4,266 | 0 | 0 | 0 |
| Central | 5,840 | 996 | 4,844 | 4,077 | 2,358 | 1,719 |
| Extracurricular Activities | 107,384 | 106,715 | 669 | 87,428 | 86,235 | 1,193 |
| Capital Outlay | 13,825 | 7,000 | 6,825 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 19,000 | 19,000 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 7,000 | 4,270 | 2,730 | 0 | 0 | 0 |
| Total Expenditures | 3,731,201 | 3,651,678 | 79,523 | 253,824 | 244,501 | 9,323 |
| Excess of Revenues Over (Under) Expenditures | (233,027) | 5,914 | 238,941 | (27,602) | (10,257) | 17,345 |
| Other Financing Sources (Uses): | | | | | | |
| Other Financing Sources | 50 | 186 | 136 | 0 | 0 | 0 |
| Refund of Prior Year Expenditures | 0 | 910 | 910 | 0 | 0 | 0 |
| Proceeds from Sale of Fixed Assets | 480 | 412 | (68) | 0 | 0 | 0 |
| Advances-In | 81,582 | 85,000 | 3,418 | 0 | 0 | 0 |
| Advances-Out | (186,900) | (186,700) | 200 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | (104,788) | (100,192) | 4,596 | 0 | 0 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (337,815) | (94,278) | 243,537 | (27,602) | (10,257) | 17,345 |
| Fund Balances at Beginning of Year | 504,743 | 504,743 | 0 | 61,215 | 61,215 | 0 |
| Prior Year Encumbrances Appropriated | 21,897 | 21,897 | 0 | 969 | 969 | 0 |
| Fund Balances (Deficit) at End of Year | \$188,825 | \$432,362 | \$243,537 | \$34,582 | \$51,927 | \$17,345 |

The notes to the general purpose financial statements are an integral part of this statement.

| Debt Service | | | Capital Projects | | | Expendable Trust | | |
|-----------------|-----------------|----------------------------------|------------------|------------------|----------------------------------|------------------|----------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 69,157 | 69,525 | 368 | 179,380 | 133,679 | (45,701) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7,334 | 7,900 | 566 | 246,764 | 241,634 | (5,130) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,000 | 2,000 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>76,491</u> | <u>77,425</u> | <u>934</u> | <u>426,144</u> | <u>375,313</u> | <u>(50,831)</u> | <u>2,000</u> | <u>2,000</u> | <u>0</u> |
| | | | | | | | | |
| 0 | 0 | 0 | 157,863 | 150,649 | 7,214 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1,130 | 1,124 | 6 | 2,167 | 2,161 | 6 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 404,358 | 404,358 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,250 | 2,250 | 0 |
| 0 | 0 | 0 | 45,590 | 45,519 | 71 | 0 | 0 | 0 |
| 60,000 | 60,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12,594 | 12,594 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>73,724</u> | <u>73,718</u> | <u>6</u> | <u>609,978</u> | <u>602,687</u> | <u>7,291</u> | <u>2,250</u> | <u>2,250</u> | <u>0</u> |
| | | | | | | | | |
| <u>2,767</u> | <u>3,707</u> | <u>940</u> | <u>(183,834)</u> | <u>(227,374)</u> | <u>(43,540)</u> | <u>(250)</u> | <u>(250)</u> | <u>0</u> |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 220,713 | 186,700 | 34,013 | 0 | 0 | 0 |
| 0 | 0 | 0 | (85,000) | (85,000) | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>135,713</u> | <u>101,700</u> | <u>(34,013)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | | | | | | | | |
| 2,767 | 3,707 | 940 | (48,121) | (125,674) | (77,553) | (250) | (250) | 0 |
| 70,398 | 70,398 | 0 | 8,743 | 8,743 | 0 | 1,750 | 1,750 | 0 |
| 0 | 0 | 0 | 138,144 | 138,144 | 0 | 0 | 0 | 0 |
| <u>\$73,165</u> | <u>\$74,105</u> | <u>\$940</u> | <u>\$98,766</u> | <u>\$21,213</u> | <u>(\$77,553)</u> | <u>\$1,500</u> | <u>\$1,500</u> | <u>\$0</u> |

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | ENTERPRISE |
|---|-------------------|
| Operating Revenues: | |
| Sales | \$103,580 |
| Total Operating Revenues | 103,580 |
| Operating Expenses: | |
| Salaries and Wages | 56,049 |
| Fringe Benefits | 14,109 |
| Purchased Services | 4,183 |
| Supplies and Materials | 6,366 |
| Cost of Sales | 60,005 |
| Other | 50 |
| Depreciation | 1,847 |
| Total Operating Expenses | 142,609 |
| Operating Loss | (39,029) |
| Non-Operating Revenues: | |
| Interest | 593 |
| Federal and State Subsidies | 21,958 |
| Federal Donated Commodities | 13,486 |
| Total Non-Operating Revenues | 36,037 |
| Net Loss | (2,992) |
| Retained Earnings (Deficit) at Beginning of Year | (2,594) |
| Retained Earnings (Deficit) at End of Year | (\$5,586) |

The notes to the general purpose financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | Enterprise | | |
|-----------------------------------|---------------------------|----------------|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Sales | \$103,293 | \$103,556 | \$263 |
| Federal and State Subsidies | 21,958 | 21,958 | 0 |
| Interest | 593 | 593 | 0 |
| Total Revenues | 125,844 | 126,107 | 263 |
| Expenses: | | | |
| Salaries and Wages | 48,151.00 | 48,151.00 | 0.00 |
| Fringe Benefits | 20,682.00 | 20,682.00 | 0.00 |
| Purchased Services | 4,594.00 | 4,493.00 | 101.00 |
| Supplies and Materials | 52,943.00 | 52,852.00 | 91.00 |
| Capital Outlay | 6.00 | 6.00 | 0.00 |
| Other | 50 | 50 | 0 |
| Total Expenses | 126,426 | 126,234 | 192 |
| Excess of Revenues Under Expenses | (582) | (127) | 455 |
| Fund Equity at Beginning of Year | 4,514 | 4,514 | 0 |
| Fund Equity at End of Year | \$3,932 | \$4,387 | \$455 |

The notes to the general purpose financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | Enterprise |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$103,556 |
| Cash Payments for Employee Services and Benefits | (68,833) |
| Cash Payments to Suppliers for Goods and Services | (57,041) |
| Other Operating Expenses | (50) |
| Net Cash Used In Operating Activities | (22,368) |
| Cash Flows from Noncapital Financing Activities: | |
| Federal and State Subsidies Received | 21,958 |
| Net Cash Provided By Noncapital Financing Activities | 21,958 |
| Cash Flows from Investing Activities: | |
| Interest | 593 |
| Net Cash Provided By Investing Activities | 593 |
| Net Increase in Cash and Cash Equivalents | 183 |
| Cash and Cash Equivalents Beginning of Year | 4,514 |
| Cash and Cash Equivalents End of Year | \$4,697 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | |
| Operating Loss | (\$39,029) |
| Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities: | |
| Depreciation | 1,847 |
| Donated Commodities Received | 13,486 |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable | (24) |
| Increase in Materials and Supplies Inventory | (148) |
| Decrease in Inventory Held for Resale | 175 |
| Increase in Accrued Salaries Payable | 1,012 |
| Decrease in Intergovernmental Payable | (346) |
| Increase in Compensated Absences Payable | 659 |
| Net Cash Used In Operating Activities | (\$22,368) |

The notes to the general purpose financial statements are an integral part of this statement.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 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/or 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. The School District is the 572nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 25 non-certificated employees, 41 certificated full-time teaching personnel and 3 administrative employees who provide services to 693 students and other community members. The School District currently operates 2 instructional buildings.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District 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 for the organization. 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 Cedar Cliff The village government of Cedar Cliff 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 is associated with five jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Greene County Career Center
- The Dayton Area Superintendent's Association

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 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 proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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 proprietary funds or trust funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

2. Proprietary Fund Type:

Proprietary funds are 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 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 expendable trust and agency funds. 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 liabilities 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 proprietary or trust funds.

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

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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, property taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Title III, Drug-Free Schools, Preschool Grant, Horace Mann Grant, and Goals 2000 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 object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

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 final amended certificate issued during fiscal year 1999.

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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. 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, one supplemental appropriation was legally enacted, and it was insignificant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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 proprietary funds.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the proprietary 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.

During fiscal year 1999, the School District had no investments.

Following Ohio statutes, 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 1999 amounted to \$48,348, which includes \$19,427 assigned from other School District funds. The Food Service Enterprise Fund also received interest revenue of \$593.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

For purposes of the combined 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. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. 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. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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 unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 proprietary funds 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.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Public School Preschool
- Instructional Materials Subsidy
- Horace Mann Grant
- Goals 2000 Grant
- Title I
- Title VI
- Title III
- Title VI-B
- Drug-Free Schools
- Professional Development Block Grant
- Continuous Improvement Grant
- State Land Grant

Capital Projects Funds

- School Net Plus
- Technology Equity
- Video Distance Learning
- Emergency Repair Grant

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

Reimbursable Grants
General Fund
Driver Education
Proprietary Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 52 percent of governmental fund revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees of 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 fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

M. 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 debt 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. Bonds are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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.

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the Title VI-B Special Revenue Fund, the Emergency Building Repair Capital Projects Fund, and the Food Service Enterprise Fund had deficit fund balances/retained earnings of \$316, \$49,207, and \$5,586, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the Food Service Enterprise Fund is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

NOTE 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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type 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:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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 proprietary fund type (GAAP basis).
4. Principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. 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.
6. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions.

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 and Expendable Trust Fund**

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> |
|---------------------------------------|-------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|
| GAAP Basis | \$102,538 | \$3,643 | \$4,215 | (\$80,093) | (\$250) |
| Revenue Accruals | (90,692) | (6,929) | (508) | 55,537 | 0 |
| Expenditure Accruals | 43,570 | (562) | 0 | 13,333 | 0 |
| Prepaid Items | (179) | 0 | 0 | 0 | 0 |
| Excess of Revenues (Over) | | | | | |
| Expenditures for Nonbudgeted Funds | 0 | (4,295) | 0 | 0 | 0 |
| Advances | (101,700) | 0 | 0 | 101,700 | 0 |
| Encumbrances | (47,815) | (2,114) | 0 | (216,151) | 0 |
| Budget Basis | <u>(\$94,278)</u> | <u>(\$10,257)</u> | <u>\$3,707</u> | <u>(\$125,674)</u> | <u>(\$250)</u> |

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

| | Enterprise |
|----------------------------------|-------------------|
| GAAP Basis | (\$2,992) |
| Revenue Accruals | (24) |
| Expense Accruals | 1,379 |
| Materials and Supplies Inventory | 148 |
| Encumbrances | (310) |
| Inventory Held for Resale | (175) |
| Depreciation Expense | 1,847 |
| Budget Basis | (\$127) |

NOTE 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 two 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, 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;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
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, corporate 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 "Cash and Cash Equivalents with Fiscal Agent" of \$5,263 shown in the special revenue funds is maintained with the Greene County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

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".

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$874,010 and the bank balance was \$941,291. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$741,291 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's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The District has no investments as of June 30, 1999.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

NOTE 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 located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. 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 later 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

| | 1998 Second- Half Collections | | 1999 First- Half Collections | |
|---|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$47,577,430 | 86.74% | \$44,008,940 | 85.62% |
| Public Utility Real | 0 | 0.00 | 0 | 0.00 |
| Tangible Personal Property | 7,270,996 | 13.26 | 7,390,613 | 14.38 |
| Total Assessed Value | <u>\$54,848,426</u> | <u>100.00%</u> | <u>\$51,399,553</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$37.35 | | \$37.05 | |

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

NOTE 7 - INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

| | |
|-------------------------------|-----------------------|
| Furniture and Equipment | \$24,326 |
| Less Accumulated Depreciation | <u>(17,434)</u> |
| Net Fixed Assets | <u><u>\$6,892</u></u> |

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

| <u>Asset Category</u> | <u>Balance at 6/30/98</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 6/30/99</u> |
|-----------------------------------|-------------------------------|------------------|------------------|-------------------------------|
| Land and Improvements | \$39,350 | \$0 | \$0 | \$39,350 |
| Buildings and Improvements | 759,422 | 87,996 | 0 | 847,418 |
| Furniture, Fixtures and Equipment | 503,625 | 140,414 | 28,902 | 615,137 |
| Vehicles | <u>274,053</u> | <u>0</u> | <u>0</u> | <u>274,053</u> |
| Totals | <u>\$1,576,450</u> | <u>\$228,410</u> | <u>\$28,902</u> | <u>\$1,775,958</u> |

There was no significant construction in progress at June 30, 1999.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Indiana Insurance for property and fleet insurance, while the School District contracted with Nationwide Insurance for liability insurance and inland marine coverage. Coverages provided by Indiana and Nationwide Insurance are as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$500 deductible) | \$10,567,316 |
| Inland Marine Coverage (\$100 deductible) | 76,861 |
| Boiler and Machinery (\$500 deductible) | No limit |
| Crime Insurance | 3,000 |
| Automobile Liability (\$100 deductible) | 1,000,000 |
| 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 five years. There has been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, 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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 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 public employee retirement system. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, 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. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$36,350, \$64,242, and \$64,206, respectively; 46.22 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$19,549 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation 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, 1999, 1998, and 1997 were \$104,018, \$219,565, and \$246,468, respectively; 80.58 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$20,198 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 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 funded on a pay-as-you-go basis.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$138,690 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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. At June 30, 1999, the allocation rate is 6.3 percent. 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 1999, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$36,780 during the 1999 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

| | Restated Principal Outstanding 6/30/98 | Additions | Deductions | Principal Outstanding 6/30/99 |
|--|---|------------------|-------------------|--|
| School Improvement Bond 1980 8.125% | \$185,000 | \$0 | \$60,000 | \$125,000 |
| Energy Conservation Loan 1991 7.00% | 61,000 | 0 | 19,000 | 42,000 |
| Intergovernmental Payable | 26,960 | 21,348 | 26,960 | 21,348 |
| Compensated Absences | 364,569 | 0 | 10,950 | 353,619 |
| Total General Long-Term Obligations | \$637,529 | \$21,348 | \$116,910 | \$541,967 |

The School Improvement Bond will be paid from the Bond Retirement Debt Service Fund. The Energy Conservation Loan will be paid from the General Fund.

The intergovernmental payable and compensated absences will be paid from the fund 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 \$4,500,960, energy conservation debt margin was \$420,596, and an unvoted debt margin of \$51,400 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including the loan outstanding at June 30, 1999, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--|------------------|-----------------|--------------|
| 2000 | \$85,000 | \$10,455 | \$95,455 |
| 2001 | 82,000 | 3,978 | 85,978 |
| Total | \$167,000 | \$14,433 | \$181,433 |

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 1999, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$186,700, while the Permanent Improvement Capital Projects Fund had an interfund payable of \$100,000. The Emergency Building Repair Capital Projects Fund had an interfund payable of \$86,700.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. 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 and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. 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 five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$7,385 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 Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the School District paid \$2,269 to 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 formed under Section 1702.01 of the Ohio Revised Code. 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. All Superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. 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 1999, the School District paid \$17,505 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL
(Continued)

A. 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. 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.

The Dayton Area Superintendent's Association - The Dayton Area Superintendent's Association (DASA) is an organization formed by area school Superintendents. The purpose of the organization is to serve as a forum for practicing superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team.

Membership in the organization is open to the greater Dayton area school system superintendents, assistant superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Miami, Montgomery, Preble, Shelby, and Warren Counties. The Executive Committee is comprised of eight representatives of DASA member schools or institutions. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees established by the Executive Committee. During fiscal year 1999, the School District paid \$10 to DASA from the General Fund. To obtain financial information, write to The Dayton Area Superintendent's Association, Buddy Coffey, who serves as DASA Executive Secretary, at 451 West Third Street, Dayton, Ohio 45422-1040.

B. 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), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,810,127 of school foundation support for its General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 - SCHOOL FUNDING COURT DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - 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, 1999.

NOTE 19 - YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Greene County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

Cedar Cliff Local School District has assigned two employees to oversee Y2K compliance. To date, letters have been sent to all vendors who were determined to be mission critical. The School District has received replies from most of the companies and reminders were sent to others.

To the best of management's knowledge and belief, as of January 28, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 20 - SET-ASIDE CALCULATIONS

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> | <u>Totals</u> |
|--|------------------|----------------------------|-----------------------------|-----------------|
| Set-aside Cash Balance as of June 30, 1998 | \$0 | \$0 | \$30,637 | \$30,637 |
| Current Year Set-aside Requirement | 56,878 | 56,878 | 0 | 113,756 |
| Current Year Offsets | (64,519) | (133,679) | 0 | (198,198) |
| Qualifying Disbursements | 0 | 0 | 0 | 0 |
| Total | <u>(\$7,641)</u> | <u>(\$76,801)</u> | <u>\$30,637</u> | <u>(53,805)</u> |
| Cash Balance Carried Forward to FY 1999 | <u>\$0</u> | <u>\$0</u> | <u>\$30,637</u> | |
| Amount restricted for School Bus Purchases | | | | <u>10,969</u> |
| Total Restricted Assets | | | | <u>\$41,606</u> |

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 21 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

| <u>Company</u> | <u>Project</u> | <u>Amount Remaining On Contract</u> |
|----------------------|------------------------|-------------------------------------|
| Bregway Corporation | Re-roofing Project | \$126,539 |
| Hydro Tech | Installation of Lines | 10,766 |
| SEM Partners, Inc. | Architectural Services | 10,000 |
| Calvary Construction | ADA Renovations | 153,713 |

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998**

| | <u>Governmental Fund Types</u> | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| ASSETS AND OTHER DEBITS | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$496,001 | \$62,184 | \$70,397 | \$146,886 |
| Cash and Cash Equivalents with Fiscal Agents | | 4,924 | | |
| Receivables: | | | | |
| Income Taxes | 195,323 | | | |
| Property and Other Taxes | 943,269 | | 70,154 | 129,445 |
| Accounts | 14,151 | | | |
| Intergovernmental | 6,495 | | | 57,623 |
| Accrued Interest | 1,566 | | | |
| Interfund | 85,000 | | | |
| Prepaid Items | 5,460 | | | |
| Inventory of Supplies and Materials | 6,440 | | | |
| Inventory Held for Resale | | | | |
| Restricted Asset: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 30,637 | | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | | |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund for Retirement of General Long-Term Debt | | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | |
| Total Assets and Other Debits | <u>\$1,784,342</u> | <u>\$67,108</u> | <u>\$140,551</u> | <u>\$333,954</u> |
| | | | | |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$5,058 | | | |
| Accrued Wages and Benefits Payable | 269,977 | 9,624 | | |
| Intergovernmental Payable | 58,929 | 2,267 | | |
| Interfund Payable | | | | 85,000 |
| Due to Students | | | | |
| Deferred Revenue | 898,731 | | 66,129 | 121,913 |
| Compensated Absences Payable | 3,039 | | | |
| Energy Conservation Loan Payable | | | | |
| General Obligation Bonds Payable | | | | |
| Total Liabilities | <u>1,235,734</u> | <u>11,891</u> | <u>66,129</u> | <u>206,913</u> |
| | | | | |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Retained Earnings: | | | | |
| Unreserved (Deficit) | | | | |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 21,897 | 968 | | 138,144 |
| Reserved for Inventory | 6,440 | | | |
| Reserved for Property Taxes | 50,312 | | 4,025 | 7,532 |
| Reserved for Budget Stabilization | 30,637 | | | |
| Unreserved, Undesignated (Deficit) | 439,322 | 54,249 | 70,397 | (18,635) |
| Total Fund Equity (Deficit) and Other Credits | <u>548,608</u> | <u>55,217</u> | <u>74,422</u> | <u>127,041</u> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$1,784,342</u> | <u>\$67,108</u> | <u>\$140,551</u> | <u>\$333,954</u> |

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|--------------------------|------------------------|----------------------------|------------------------------|-------------------------------|
| | | General Fixed Assets | General Long-Term Debt | |
| Enterprise | Trust and Agency | | | |
| \$4,515 | \$14,977 | | | \$794,960 4,924 |
| | | | | 195,323 |
| | | | | 1,142,868 |
| | | | | 14,151 |
| | | | | 64,118 |
| | | | | 1,566 |
| | | | | 85,000 |
| | | | | 5,460 |
| 533 | | | | 6,973 |
| 3,412 | | | | 3,412 |
| | | | | 30,637 |
| 8,739 | | 1,576,450 | | 1,585,189 |
| | | | 74,422 | 74,422 |
| | | | 563,107 | 563,107 |
| <u>\$17,199</u> | <u>\$14,977</u> | <u>\$1,576,450</u> | <u>\$637,529</u> | <u>\$4,572,110</u> |
| | | | | \$5,058 |
| 8,192 | | | | 287,793 |
| 4,903 | | | 26,960 | 93,059 |
| | | | | 85,000 |
| | 13,227 | | | 13,227 |
| 433 | | | | 1,087,206 |
| 4,765 | | | 364,569 | 372,373 |
| | | | 61,000 | 61,000 |
| | | | 185,000 | 185,000 |
| <u>18,293</u> | <u>13,227</u> | | <u>637,529</u> | <u>2,189,716</u> |
| | | 1,576,450 | | 1,576,450 |
| (1,094) | | | | (1,094) |
| | | | | 161,009 |
| | | | | 6,440 |
| | | | | 61,869 |
| | | | | 30,637 |
| | 1,750 | | | 547,083 |
| <u>(1,094)</u> | <u>1,750</u> | <u>1,576,450</u> | | <u>2,382,394</u> |
| <u>\$17,199</u> | <u>\$14,977</u> | <u>\$1,576,450</u> | <u>\$637,529</u> | <u>\$4,572,110</u> |

**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, 1998**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Fund Type</u> | <u>Total (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Revenues: | | | | | | |
| Income Taxes | \$519,430 | | | | | \$519,430 |
| Property and Other Taxes | 950,698 | | 74,503 | 123,829 | | 1,149,030 |
| Tuition and Fees | 58,583 | | | | | 58,583 |
| Interest | 44,543 | | | | | 44,543 |
| Intergovernmental | 1,854,623 | 107,921 | 6,838 | 76,484 | | 2,045,866 |
| Extracurricular Activities | | 146,664 | | | | 146,664 |
| Gifts and Donations | | | | | 1,750 | 1,750 |
| Miscellaneous | 79,068 | 8,941 | | | | 88,009 |
| Total Revenues | <u>3,506,945</u> | <u>263,526</u> | <u>81,341</u> | <u>200,313</u> | <u>1,750</u> | <u>4,053,875</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 1,720,591 | 15,283 | | 27,509 | | 1,763,383 |
| Special | 256,096 | 52,715 | | | | 308,811 |
| Vocational | 28,580 | | | | | 28,580 |
| Support Services: | | | | | | |
| Pupils | 98,135 | | | | | 98,135 |
| Instructional Staff | 79,693 | 25,415 | | | | 105,108 |
| Board of Education | 21,796 | | | 1,048 | | 22,844 |
| Administration | 321,032 | 47,241 | | | | 368,273 |
| Fiscal | 132,700 | 2,466 | 1,249 | 2,043 | | 138,458 |
| Business | 1,549 | | | | | 1,549 |
| Operation and Maintenance of Plant | 286,551 | | | 64,408 | | 350,959 |
| Pupil Transportation | 237,728 | | | | | 237,728 |
| Central | 1,172 | | | | | 1,172 |
| Extracurricular Activities | 85,700 | 93,288 | | | 1,500 | 180,488 |
| Capital Outlay | 1,975 | | | | | 1,975 |
| Debt Service: | | | | | | |
| Principal Retirement | 18,000 | | 65,000 | | | 83,000 |
| Interest and Fiscal Charges | 5,530 | | 17,672 | | | 23,202 |
| Total Expenditures | <u>3,296,828</u> | <u>236,408</u> | <u>83,921</u> | <u>95,008</u> | <u>1,500</u> | <u>3,713,665</u> |
| Excess of Revenues Over (Under) Expenditures | <u>210,117</u> | <u>27,118</u> | <u>(2,580)</u> | <u>105,305</u> | <u>250</u> | <u>340,210</u> |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from Sale of Fixed Assets | 533 | | | | | 533 |
| Operating Transfers-Out | (5,000) | | | | | (5,000) |
| Total Other Financing Sources (Uses) | <u>(4,467)</u> | | | | | <u>(4,467)</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 205,650 | 27,118 | (2,580) | 105,305 | 250 | 335,743 |
| Fund Balances at Beginning of Year | 346,805 | 28,099 | 77,002 | 21,736 | 1,500 | 475,142 |
| Decrease in Reserve for Inventory | (3,847) | | | | | (3,847) |
| Fund Balances at End of Year | <u>\$548,608</u> | <u>\$55,217</u> | <u>\$74,422</u> | <u>\$127,041</u> | <u>\$1,750</u> | <u>\$807,038</u> |

The notes to the general purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

| | General | | | Special Revenue | | |
|---|-------------------|------------------|--|-------------------|----------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Income Taxes | 546,707 | 513,186 | (33,521) | 0 | 0 | 0 |
| Property and Other Taxes | 1,015,769 | 953,162 | (62,607) | 0 | 0 | 0 |
| Tuition and Fees | 61,915 | 58,119 | (3,796) | 0 | 0 | 0 |
| Interest | 47,372 | 44,467 | (2,905) | 0 | 0 | 0 |
| Intergovernmental | 1,969,243 | 1,848,828 | (120,415) | 191,895 | 98,131 | (93,764) |
| Extracurricular Activities | 0 | 0 | 0 | 171,975 | 146,664 | (25,311) |
| Gifts and Donations | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 46,343 | 43,502 | (2,841) | 10,629 | 8,941 | (1,688) |
| Total Revenues | 3,687,349 | 3,461,264 | (226,085) | 374,499 | 253,736 | (120,763) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 1,707,172 | 1,662,008 | 45,164 | 10,864 | 9,321 | 1,543 |
| Special | 185,710 | 173,970 | 11,740 | 62,962 | 54,839 | 8,123 |
| Vocational | 32,102 | 28,409 | 3,693 | 0 | 0 | 0 |
| Other | 148,280 | 144,926 | 3,354 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 108,110 | 98,766 | 9,344 | 0 | 0 | 0 |
| Instructional Staff | 87,968 | 82,153 | 5,815 | 21,861 | 19,654 | 2,207 |
| Board of Education | 26,343 | 21,840 | 4,503 | 0 | 0 | 0 |
| Administration | 349,230 | 326,039 | 23,191 | 47,266 | 47,241 | 25 |
| Fiscal | 143,270 | 134,020 | 9,250 | 2,466 | 2,466 | 0 |
| Business | 1,550 | 1,549 | 1 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 318,570 | 297,270 | 21,300 | 0 | 0 | 0 |
| Pupil Transportation | 273,290 | 236,925 | 36,365 | 0 | 0 | 0 |
| Central | 9,383 | 1,172 | 8,211 | 0 | 0 | 0 |
| Extracurricular Activities | 90,858 | 85,915 | 4,943 | 104,540 | 93,615 | 10,925 |
| Capital Outlay | 10,500 | 8,300 | 2,200 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 18,000 | 18,000 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 7,000 | 5,530 | 1,470 | 0 | 0 | 0 |
| Total Expenditures | 3,517,336 | 3,326,792 | 190,544 | 249,959 | 227,136 | 22,823 |
| Excess of Revenues Over (Under) Expenditures | 170,013 | 134,472 | (35,541) | 124,540 | 26,600 | (97,940) |
| Other Financing Sources (Uses): | | | | | | |
| Other Financing Sources | 6 | 6 | 0 | 0 | 0 | 0 |
| Refund of Prior Year Expenditures | 32,638 | 30,637 | (2,001) | 0 | 0 | 0 |
| Proceeds from Sale of Fixed Assets | 568 | 533 | (35) | 0 | 0 | 0 |
| Advances-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-Out | (85,000) | (85,000) | 0 | 0 | 0 | 0 |
| Operating Transfers-Out | (5,000) | (5,000) | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | (56,788) | (58,824) | (2,036) | 0 | 0 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 113,225 | 75,648 | (37,577) | 124,540 | 26,600 | (97,940) |
| Fund Balances at Beginning of Year | 348,788 | 348,788 | 0 | 30,081 | 30,081 | 0 |
| Prior Year Encumbrances Appropriated | 80,305 | 80,305 | 0 | 4,535 | 4,535 | 0 |
| Fund Balances (Deficit) at End of Year | 542,318 | 504,741 | (37,577) | 159,156 | 61,216 | (97,940) |

The notes to the general purpose financial statements are an integral part of this statement.

| Debt Service | | | Capital Projects | | | Expendable Trust | | |
|-----------------|-----------------|----------------------------------|------------------|----------------|----------------------------------|------------------|----------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 75,228 | 75,228 | 0 | 122,607 | 122,607 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6,838 | 6,838 | 0 | 18,861 | 18,861 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,750 | 1,750 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>82,066</u> | <u>82,066</u> | <u>0</u> | <u>141,468</u> | <u>141,468</u> | <u>0</u> | <u>1,750</u> | <u>1,750</u> | <u>0</u> |
| 0 | 0 | 0 | 105,979 | 105,979 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 1,048 | 1,048 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1,500 | 1,249 | 251 | 2,043 | 2,043 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 199,947 | 199,947 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,750 | 1,500 | 250 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 83,000 | 65,000 | 18,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17,672 | 17,672 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>102,172</u> | <u>83,921</u> | <u>18,251</u> | <u>309,017</u> | <u>309,017</u> | <u>0</u> | <u>1,750</u> | <u>1,500</u> | <u>250</u> |
| (20,106) | (1,855) | 18,251 | (167,549) | (167,549) | 0 | 0 | 250 | 250 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 85,000 | 85,000 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>85,000</u> | <u>85,000</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| (20,106) | (1,855) | 18,251 | (82,549) | (82,549) | 0 | 0 | 250 | 250 |
| 72,252 | 72,252 | 0 | 4,740 | 4,740 | 0 | 1,500 | 1,500 | 0 |
| 0 | 0 | 0 | 86,551 | 86,551 | 0 | 0 | 0 | 0 |
| <u>\$52,146</u> | <u>\$70,397</u> | <u>\$18,251</u> | <u>\$8,742</u> | <u>\$8,742</u> | <u>\$0</u> | <u>\$1,500</u> | <u>\$1,750</u> | <u>\$250</u> |

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

| | Enterprise |
|---|-------------------|
| Operating Revenues: | |
| Sales | \$99,330 |
| Total Operating Revenues | 99,330 |
| Operating Expenses: | |
| Salaries and Wages | 41,938 |
| Fringe Benefits | 25,762 |
| Purchased Services | 2,992 |
| Supplies and Materials | 6,232 |
| Cost of Sales | 63,399 |
| Other | 50 |
| Depreciation | 1,912 |
| Total Operating Expenses | 142,285 |
| Operating Loss | (42,955) |
| Non-Operating Revenues: | |
| Interest | 107 |
| Federal and State Subsidies | 24,409 |
| Federal Donated Commodities | 11,422 |
| Total Non-Operating Revenues | 35,938 |
| Loss Before Operating Transfers | (7,017) |
| Operating Transfers-In | 5,000 |
| Net Loss | (2,017) |
| Retained Earnings at Beginning of Year | 923 |
| Retained Earnings (Deficit) at End of Year | (\$1,094) |

The notes to the general purpose financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

| | <u>Enterprise</u> | | |
|--|---------------------------|-----------------------|---|
| | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| Revenues: | | | |
| Sales | \$97,326 | \$99,330 | \$2,004 |
| Federal and State Subsidies | 23,916 | 24,409 | 493 |
| Interest | 105 | 107 | 2 |
| Total Revenues | <u>121,347</u> | <u>123,846</u> | <u>2,499</u> |
| Expenses: | | | |
| Salaries and Wages | 50,059.00 | 49,397.00 | 662.00 |
| Fringe Benefits | 20,446.00 | 19,994.00 | 452.00 |
| Purchased Services | 3,365.00 | 2,992.00 | 373.00 |
| Supplies and Materials | 57,550.00 | 57,154.00 | 396.00 |
| Capital Outlay | 1,975.00 | 1,943.00 | 32.00 |
| Other | 50 | 50 | 0 |
| Total Expenses | <u>133,445</u> | <u>131,530</u> | <u>1,915</u> |
| Excess of Revenues Over (Under) Expenses Before Operating Transfers | (12,098.00) | (7,684.00) | 4,414.00 |
| Operating Transfers-In | <u>4,899</u> | <u>5,000</u> | <u>101</u> |
| Excess of Revenues Over (Under) Expenses and Operating Transfers | (7,199) | (2,684) | 4,515 |
| Fund Equity at Beginning of Year | <u>7,199</u> | <u>7,199</u> | <u>0</u> |
| Fund Equity at End of Year | <u><u>\$0</u></u> | <u><u>\$4,515</u></u> | <u><u>\$4,515</u></u> |

The notes to the general purpose financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

| | Enterprise |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$99,330 |
| Cash Payments for Employee Services and Benefits | (69,391) |
| Cash Payments to Suppliers for Goods and Services | (62,089) |
| Other Operating Expenses | (50) |
| Net Cash Used In Operating Activities | (32,200) |
| Cash Flows from Noncapital Financing Activities: | |
| Federal and State Subsidies Received | 24,409 |
| Operating Transfers-In | 5,000 |
| Net Cash Provided By Noncapital Financing Activities | 29,409 |
| Cash Flows from Investing Activities: | |
| Interest | 107 |
| Net Cash Provided By Investing Activities | 107 |
| Net Decrease in Cash and Cash Equivalents | (2,684) |
| Cash and Cash Equivalents Beginning of Year | 7,199 |
| Cash and Cash Equivalents End of Year | \$4,515 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | |
| Operating Loss | (\$42,955) |
| Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities: | |
| Depreciation | 1,912 |
| Donated Commodities Received | 11,422 |
| Changes in Assets and Liabilities: | |
| Decrease in Materials and Supplies Inventory | 499 |
| Decrease in Inventory Held for Resale | (1,387) |
| Decrease in Accrued Salaries Payable | (1,254) |
| Decrease in Intergovernmental Payable | (686) |
| Increase in Compensated Absences Payable | 249 |
| Net Cash Used In Operating Activities | (\$32,200) |

The notes to the general purpose financial statements are an integral part of this statement.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 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/or 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. The School District is the 572nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 26 non-certificated employees, 44 certificated full-time teaching personnel and 3 administrative employees who provide services to 684 students and other community members. The School District currently operates 2 instructional buildings.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District 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 for the organization. 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 Cedar Cliff The village government of Cedar Cliff 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 is associated with five jointly governed organizations and one public entity risk pool. These organizations are discussed in Note 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Cooperative
- Southwestern Ohio Instructional Technology Association
- Greene County Career Center
- The Dayton Area Superintendent's Association

Public Entity Risk Pool:

- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 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.

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 proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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 proprietary funds or trust funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Type:

Proprietary funds are 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 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.

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 expendable trust and agency funds. 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.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities 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 proprietary or trust funds.

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

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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, property taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Professional Development Block Grant, Entry Year Program, Diversity Grant, Title III, Drug-Free Schools, Preschool Grant, Horace Mann Grant, and Goals 2000 Grant Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

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.

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 final amended certificate issued during fiscal year 1998.

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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. 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, one supplemental appropriation was legally enacted, and it was significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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 proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

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 proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1998, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Food Service Enterprise Fund during fiscal year 1998 amounted to \$44,543 and \$107, respectively, which includes \$10,238 from other School District funds.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

For purposes of the combined 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. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. 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. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998, 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 set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1998, the School District received a \$30,637 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "miscellaneous" revenue in the accompanying financial statements. A fund balance reserve has also been established.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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 proprietary funds 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 funds 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.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Public School Preschool
- Instructional Materials Subsidy
- Entry Year Program
- Diversity Grant
- Horace Mann Grant
- Goals 2000 Grant
- Title I
- Title VI
- Title III
- Title VI-B

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

- Non-Reimbursable Grants*
 - Special Revenue Funds (Continued)*
 - Data Communications
 - Drug-Free Schools
 - Professional Development Block Grant
 - Capital Projects Funds*
 - School Net Plus
 - Technology Equity
- Reimbursable Grants*
 - General Fund*
 - Driver Education
 - Proprietary Funds*
 - National School Lunch Program
 - Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 50 percent of governmental fund revenue during the 1998 fiscal year.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees of 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 fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. 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 debt 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. Bonds are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventories of supplies and materials, and budget stabilization reserve for the workers' compensation refund. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by State Statute and may only be used with the approval of the Ohio Department of Education.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement establishes accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now required to be reported at fair value. The adoption of this statement required no change from prior years.

In prior years, the School District reported the energy conservation loan payable in the General Fund, and now the liability is reported in the General Long-Term Debt Account Group. The balance in the General Long-Term Debt Account Group changed by \$79,000 for the energy conservation loan payable from \$617,740 to \$696,740. Fund balance for the General Fund changed by \$80,152, \$79,000 for the energy conservation loan payable and \$1,152 for the accrued interest payable, from \$266,653 to \$346,805.

The School District recorded a prior period adjustment to correct an overstatement of Furniture, Fixtures and Equipment in the General Fixed Asset Account Group in the previous period. This correction of an error resulted in a decrease of capitalized general fixed assets of \$38,850 restating general fixed assets as of June 30, 1997 from \$1,479,871 to \$1,441,021

NOTE 4 - ACCOUNTABILITY

At June 30, 1998, the Food Service Enterprise Fund had deficit retained earnings of \$1,094. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the Food Service Enterprise Fund is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 5 - 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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type 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 proprietary fund type (GAAP basis).
4. Principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. 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.

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 and Expendable Trust Fund**

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> |
|---------------------------------------|------------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|
| GAAP Basis | \$205,650 | \$27,118 | (\$2,580) | \$105,305 | \$250 |
| Revenue Accruals | (15,038) | 0 | 725 | (58,845) | 0 |
| Expenditure Accruals | (8,232) | (2,371) | 0 | (75,865) | 0 |
| Prepaid Items | 165 | 0 | 0 | 0 | 0 |
| Excess of Revenues Under | | | | | |
| Expenditures for Nonbudgeted Funds | 0 | 2,821 | 0 | 0 | 0 |
| Advances | (85,000) | 0 | 0 | 85,000 | 0 |
| Encumbrances | <u>(21,897)</u> | <u>(968)</u> | <u>0</u> | <u>(138,144)</u> | <u>0</u> |
| Budget Basis | <u><u>\$75,648</u></u> | <u><u>\$26,600</u></u> | <u><u>(\$1,855)</u></u> | <u><u>(\$82,549)</u></u> | <u><u>\$250</u></u> |

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

| Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type | Enterprise |
|---|-------------------|
| GAAP Basis | (\$2,017) |
| Expense Accruals | (3,467) |
| Materials and Supplies Inventory | (499) |
| Inventory Held for Resale | 1,387 |
| Depreciation Expense | 1,912 |
| Budget Basis | (\$2,684) |

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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, 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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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;
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, corporate 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 "Cash and Cash Equivalents with Fiscal Agent" of \$4,924 shown in the special revenue funds is maintained with the Greene County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

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 \$825,547 and the bank balance was \$877,788. Of the bank balance:

3. \$100,000 was covered by federal depository insurance; and
4. \$777,788 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's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments: (Continued)

Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The District had no investments as of June 30, 1998.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 1998 taxes were collected are:

| | 1997 Second- Half Collections | | 1998 First- Half Collections | |
|---|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$42,130,550 | 85.74% | \$47,577,430 | 86.74% |
| Public Utility Real | 0 | 0.00 | 0 | 0.00 |
| Tangible Personal Property | 7,005,305 | 14.26 | 7,270,996 | 13.26 |
| Total Assessed Value | \$49,135,855 | 100.00% | \$54,848,426 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$37.35 | | \$37.35 | |

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. Tangible personal property taxes paid 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.

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, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998, was \$50,312 in the General Fund, \$4,025 in the Bond Retirement Debt Service Fund, and \$7,532 in the Permanent Improvement Capital Projects Fund.

NOTE 8 - INCOME TAX

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

NOTE 9 - RECEIVABLES

Receivables at June 30, 1998, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1998, follows:

| | |
|-------------------------------|-----------------------|
| Furniture and Equipment | \$24,326 |
| Less Accumulated Depreciation | <u>(15,587)</u> |
| Net Fixed Assets | <u><u>\$8,739</u></u> |

A summary of the changes in general fixed assets during fiscal year 1998 follows:

| <u>Asset Category</u> | <u>Balance at 6/30/97</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 6/30/98</u> |
|--------------------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|
| Land and Improvements | \$39,350 | \$0 | \$0 | \$39,350 |
| Buildings and Improvements | 759,422 | 0 | 0 | 759,422 |
| Furniture, Fixtures and Equipment | 421,126 | 125,331 | 42,832 | 503,625 |
| Vehicles | <u>221,123</u> | <u>54,130</u> | <u>1,200</u> | <u>274,053</u> |
| Totals | <u><u>\$1,441,021</u></u> | <u><u>\$179,461</u></u> | <u><u>\$44,032</u></u> | <u><u>\$1,576,450</u></u> |

There was no significant construction in progress at June 30, 1998.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the School District contracted with Indiana Insurance for property and fleet insurance, while the School District contracted with Nationwide Insurance for liability insurance and inland marine coverage. Coverages provided by Indiana and Nationwide Insurance are as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$500 deductible) | \$10,567,316 |
| Inland Marine Coverage (\$100 deductible) | 76,861 |
| Boiler and Machinery (\$500 deductible) | No limit |
| Crime Insurance | 3,000 |
| Automobile Liability (\$100 deductible) | 1,000,000 |
| 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 five years. There has been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1998, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). 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 Accordia of Ohio provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

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. For fiscal year 1998, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$64,242, \$64,206, and \$56,049, respectively; 49 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$32,406 representing the unpaid contribution for fiscal year 1998 is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation 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, 1998, 1997, and 1996 were \$219,565, \$246,468, and \$236,275, respectively; 85 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$30,936 representing the unpaid contribution for fiscal year 1998 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - 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 funded on a pay-as-you-go basis.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$62,876 during 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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.

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. 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 1998, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$19,952 during the 1998 fiscal year.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

| | <u>Principal Outstanding 6/30/97</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal Outstanding 6/30/98</u> |
|--|--|------------------|-------------------|--|
| School Improvement Bond 1980 8.125% | \$250,000 | \$0 | \$65,000 | \$185,000 |
| Energy Conservation Loan 1991 7.00% | 79,000 | 0 | 18,000 | 61,000 |
| Intergovernmental Payable | 28,407 | 26,960 | 28,407 | 26,960 |
| Compensated Absences | 339,333 | 25,236 | 0 | 364,569 |
| Total General Long-Term Obligations | <u>\$696,740</u> | <u>\$52,196</u> | <u>\$111,407</u> | <u>\$637,529</u> |

The School Improvement Bond will be paid from the Bond Retirement Debt Service Fund. The Energy Conservation Loan will be paid from the General Fund.

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

The School District's voted legal debt margin was \$4,821,755, energy conservation debt margin was \$432,636, and an unvoted debt margin of \$54,848 at June 30, 1998.

Principal and interest requirements to retire general obligation debt, including the loan outstanding at June 30, 1998, are as follows:

| <u>Fiscal year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|------------------|-----------------|------------------|
| 1999 | \$79,000 | \$16,864 | \$95,864 |
| 2000 | 85,000 | 10,455 | 95,455 |
| 2001 | 82,000 | 3,978 | 85,978 |
| Total | <u>\$246,000</u> | <u>\$31,297</u> | <u>\$277,297</u> |

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 1998, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$85,000, while the Permanent Improvement Capital Projects Fund had an interfund payable of \$85,000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL

A. 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 and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. 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 five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$8,581 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 Cooperative -The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1998, the School District paid \$1,268 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 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 formed under Section 1702.01 of the Ohio Revised Code. 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. All Superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. 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 1998, the School District paid \$10,207 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL (Continued)

A. 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. 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.

The Dayton Area Superintendent's Association - The Dayton Area Superintendent's Association (DASA) is an organization formed by area school Superintendents. The purpose of the organization is to serve as a forum for practicing superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team.

Membership in the organization is open to the greater Dayton area school system superintendents, assistant superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Miami, Montgomery, Preble, Shelby, and Warren Counties. The Executive Committee is comprised of eight representatives of DASA member schools or institutions. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees established by the Executive Committee. During fiscal year 1998, the School District paid \$10 to DASA from the General Fund. To obtain financial information, write to The Dayton Area Superintendent's Association, Buddy Coffey, who serves as DASA Executive Secretary, at 451 West Third Street, Dayton, Ohio 45422-1040.

B. Public Entity Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - SCHOOL FUNDING COURT DECISION AND SUBSEQUENT EVENT

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1998, the School District received \$1,704,594 of school foundation support for its General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 18 - SCHOOL FUNDING COURT DECISION AND SUBSEQUENT EVENT (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 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, 1998.

NOTE 20 - YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

Cedar Cliff Local School District has completed an inventory of computer systems and other equipment necessary to conducting the School District operations. The School District uses the Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Miami Valley Educational Computer Association (MVECA - Note 18).

According to the vendor, "the payroll processing software supported with the OECN State Software is compliant with the Year 2000." "The accounting software supported with the OECN State Software is compliant with the Year 2000." "The education management information system software supported with the OECN State Software is compliant with the Year 2000." "The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SASS V2.1."

No cost will be imposed to the School District as a result of the program modifications.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the Foundation processing and EMIS systems.

To the best of management's knowledge and belief, as of January 28, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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

Cedar Cliff Local School District
Greene County
P.O. Box 45
Cedarville, Ohio 45314-0045

To the Board of Education:

We have audited the financial statements of Cedar Cliff Local School District, Greene County, (the District) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 28, 2000, in which the District changed its method of accounting of investments and investment pools and also reclassified a debt issue. We conducted our audit in accordance with generally accepted auditing standards 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 28, 2000.

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 January 28, 2000.

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

Jim Petro
Auditor of State

January 28, 2000



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CEDAR CLIFF LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2000**