



Dave Yost • Auditor of State

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 9, 2014

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Cedar Cliff Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$1,131,268, which represents a 7.31 percent increase from 2011 balances.
- General revenues accounted for \$7,250,925 in revenue or 86.92 percent of all revenues. Program specific revenues in the form of charges for services and operating grants, interest and contributions, accounted for \$1,090,996 or 13.08 percent of total revenues of \$8,341,921.
- Total assets of governmental activities increased by \$1,455,029 as cash and cash equivalents decreased by \$8,820,932 and capital assets increased by \$13,971,554.
- The School District had \$7,210,653 in expenses; only \$1,090,996 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) were \$7,250,925.
- Among major funds, the general fund had \$6,020,451 in revenues and \$5,680,304 in expenditures. The general fund's balance increased \$340,147 from 2011.
- The Locally Funded Initiative building fund had \$3,743 in revenues and \$968,291 in expenditures. The Locally Funded Initiative building fund's balance decreased \$964,548 from 2011.
- The OSFC grant fund had \$3,874,758 in revenues and \$13,057,881 in expenditures. The OSFC grant fund's balance decreased \$9,183,123 from 2011.

Using this General Accepted Accounting Principles Report (GAAP)

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

Table 1 - Net Assets		
	2012	2011
Assets:		
Current and Other Assets	\$17,411,449	\$29,927,974
Capital Assets, Net	17,482,981	3,511,427
Total Assets	34,894,430	33,439,401
Liabilities:		
Current and Other Liabilities	4,266,509	3,869,677
Long-Term Liabilities	14,029,195	14,102,266
Total Liabilities	18,295,704	17,971,943
Net Assets:		
Invested in Capital Assets, Net of Related Debt	14,850,071	1,264,579
Restricted	955,925	12,476,302
Unrestricted	792,730	1,726,577
Total	\$16,598,726	\$15,467,458

As can be seen by the above table the assets of the School District are larger than the liabilities of the District. During fiscal year 2012, total assets of governmental activities increased by \$1,455,029 as cash and cash equivalents decreased by \$8,820,932 and capital assets increased by \$13,971,554. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$933,847.

Table 2 shows the changes in net assets from fiscal year 2011 to fiscal year 2012:

Table 2 - Change in Net Assets		
	2012	2011
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$643,843	\$474,314
Operating Grants, Contributions and Interest	447,153	638,542
Total Program Revenues	1,090,996	1,112,856
General Revenues:		
Property Taxes	2,593,720	2,725,876
Income Taxes	1,046,999	988,340
Grants and Entitlements	3,414,939	3,459,440
Gifts and Donations	17,647	14,136
Investment Earnings	41,367	51,934
Miscellaneous	136,253	87,896
Premium on Bonds and Notes Issued		63,212
Proceeds from Sale of Capital Assets		44
Total General Revenues	7,250,925	7,390,878
Total Revenues	8,341,921	8,503,734
Expenses:		
Instruction	3,373,870	3,564,912

(Continued)

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

**Table 2 - Change in Net Assets
(Continued)**

	<u>2012</u>	<u>2011</u>
Support Services:		
Pupils and Instructional Staff	877,152	801,424
Board of Education, Administration, Fiscal and Business	1,042,790	1,112,482
Operation and Maintenance of Plant	475,821	447,642
Pupil Transportation	226,540	264,530
Central	(2,265)	99,776
Operation of Non-Instructional Services	151,190	153,812
Extracurricular Activities	278,311	260,362
Capital Outlay		7,319
Issuance Costs		103,718
Interest	787,244	743,292
Total Expenses	<u>7,210,653</u>	<u>7,559,269</u>
Increase/(Decrease) in Net Assets	1,131,268	944,465
Beginning Net Assets	<u>15,467,458</u>	<u>14,522,993</u>
Ending Net Assets	<u>\$16,598,726</u>	<u>\$15,467,458</u>

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes and income taxes made up 43.6 percent of revenues for governmental activities for the School District for fiscal year 2012.

Instruction comprises 46.79 percent of the School District expenses. Support services expenses make up 36.34 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. A comparative analysis of district-wide data from fiscal year 2011 to fiscal year 2012 is being presented, as follows:

Table 3 - Governmental Activities

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$3,373,870	\$2,693,230	\$3,564,912	\$2,906,749
Support Services:				
Pupils and Instructional Staff	877,152	753,965	801,424	635,104
Board of Education, Administration, Fiscal and Business	1,042,790	1,042,790	1,112,482	1,112,482
Operation and Maintenance of Plant	475,821	475,821	447,642	447,642
Pupil Transportation	226,540	226,540	264,530	264,530
Central	(2,265)	(8,721)	99,776	90,226
Operation of Non-Instructional Services	151,190	8,448	153,812	994
Extracurricular Activities	278,311	140,340	260,362	134,357
Capital Outlay			7,319	7,319
Issuance Costs			103,718	103,718
Interest	787,244	787,244	743,292	743,292
Total Expenses	<u>\$7,210,653</u>	<u>\$6,119,657</u>	<u>\$7,559,269</u>	<u>\$6,446,413</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Almost 79.8 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 84.87 percent. The community, as a whole, is the primary support for the School District.

The District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,088,345 and expenditures of \$21,255,278. The net change in fund balance for the year for all funds decreased by \$9,166,933.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2012, the School District amended its general fund budget several times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources estimate was \$5,630,855. The original budgeted estimate was \$5,336,061.

During fiscal year 2012, the School District budgeted \$2,386,829 in property and other taxes, and it actually received \$2,428,307.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Capital Assets

At the end of the fiscal year 2012, the School District had \$17,482,981 invested in land, construction in progress, land improvements, buildings and building improvements, furniture and equipment, vehicles and educational media.

Table 4 shows fiscal 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	2011
Land	\$122,820	\$122,820
Construction in Progress	16,423,392	2,380,916
Land Improvements	181,552	166,063
Buildings and Improvements	219,244	240,443
Furniture and Equipment	302,081	340,966
Vehicles	212,650	238,977
Educational Media	21,242	21,242
Totals	\$17,482,981	\$3,511,427

Overall capital assets increased \$13,971,554 from fiscal year 2011 to fiscal year 2012.

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

Debt

At June 30, 2012, the School District's long-term obligations, which include general obligation bonds payable, capital lease, and compensated absences, were \$14,029,195.

The QSCB bonds were issued for a sixteen year period, with final maturity on December 1, 2026. The interest rate on the bonds is 6.04 percent. The bonds will be retired through the Bond Retirement Fund.

The Build America bonds were issued for a twenty six year period, with final maturity on December 1, 2035. The interest rate on the bonds is 5.815 to 5.965 percent. The bonds will be retired through the Bond Retirement Fund.

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

Capital lease will be paid by the permanent improvement fund.

At June 30, 2012, the School District's overall legal debt margin was (\$3,139,267), with an un-voted debt margin of \$91,230.

For further information regarding the School District's debt, see note 15 to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Current Financial Issues and Concerns

The School District is financially stable. The School District is proud of its community support. The voters passed a renewal of the Permanent Improvement Levy in November 2012. The biennium budget of the State for fiscal years 2010-2011 basically gave the School District no increase in state funding for the two years. This coupled with the fact that the past year also showed little increase and the income tax revenue had been declining for several years made it necessary to renew the 4.0 mill 5 year operating levy in November 2012. The School District had not gone back to the voters for additional operating expenses since 1990. The voters did approve this 4.0 mill five-year operating levy initially in November of 2006 and they renewed it again in November 2012 at the same dollar amount. We are very fortunate to have our community so supportive of our schools. The problem with the state funding has not improved since 2008 and the Board will have to make a decision as to renew or replace this emergency levy in the next round. The picture looks grim for the FY12-13 biennium too as both the State and Federal governments are struggling with deficits. The School District has asked the voters for money only when absolutely needed, and the voters have never failed an operating levy. The Board did put on a combination 8.5 mills plus .25% income tax bond issue for 28 years in partnership with OSFC. The School District's share is 48% and the state's share is 52% of the total cost of the approved project with the School District also picking up the costs of the Local Funded Indicatives. The voters approved the issue in November, 2009.

The administration and Board of Education continue to focus their efforts to make improvements in the area of curriculum and many strategies have been implemented through the School District's Continuous Improvement Plan. The School District continues to encourage faculty through grade/subject level meetings to align curriculum with the new State standards. The administration and Board of Education provide funds to encourage faculty and staff to continually be involved in professional development. The School District has been designated "An Excellent School" on the State's Annual Report Card of Schools for the years 2005, 2006, 2007, 2009, 2010, 2011 and 2012.

In comparison to other school districts in the State, the School District would not be considered a school district of low wealth. The School District's growth in State revenue is dependent on per pupil amount, enrollment, and property wealth. The School District is no longer considered a formula district and has seen that source of revenue placed "on the guarantee". That means that the state will provide the same amount of dollars as the previous fiscal year. However, the State because of tough economic times lowered the "guarantee" to 98% in the 2011 and 98% in 2012.

The School District is located in a rural setting within a small village; therefore, the burden of property tax is with the taxpayers and not business tax. The School District is concerned for the next few years about the financial problems facing the State which will have an effect on school funding. This uncertainty requires management to plan carefully and prudently to ensure the resources needed to continue the level of excellence in educating its students. Just as the country, state, and village are facing tremendous loss of revenue due to the financial crisis of our country, so is the School District. As individuals lose jobs, homes are foreclosed, and interest earnings become losses, the School District will continue to monitor the impact on its revenue. Every source of revenue will be affected by this economic downturn. It will be important to maintain as large a carryover as possible to offset the probable decline in revenue.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Joy Kitzmiller, Treasurer at Cedar Cliff Local School District, Post Office Box 45, Cedarville, Ohio 45314 or email at jkitzmiller@ccliff.org.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$11,970,482
Cash and Cash Equivalents with Fiscal Agents	33
Cash and Cash Equivalents with Escrow Agents	334,215
Materials and Supplies Inventory	2,594
Accrued Interest Receivable	217
Accounts Receivable	50,719
Intergovernmental Receivable	1,754,671
Prepaid Items	10,578
Taxes Receivable	2,378,434
Income Taxes Receivable	485,133
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agents	424,373
Capital Assets:	
Non-Depreciable Capital Assets	16,546,212
Depreciable Capital Assets, net	936,769
Total Assets	34,894,430
Liabilities:	
Accounts Payable	17,422
Accrued Wages and Benefits	456,680
Contracts Payable	1,140,572
Intergovernmental Payable	165,576
Matured Compensated Absences Payable	16,468
Unearned Revenue	2,135,576
Retainage Payable	334,215
Long-Term Liabilities:	
Due Within One Year	38,557
Due in More Than One Year	13,990,638
Total Liabilities	18,295,704
Net Assets:	
Invested in Capital Assets, Net of Related Debt	11,268,965
Restricted for:	
Debt Service	834,684
Capital Projects	1,625,225
Other Purposes	122,323
Unrestricted	2,747,529
Total Net Assets	\$16,598,726

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>		<u>Net(Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Total Governmental Activities</u>	
Governmental Activities:				
Instruction:				
Regular	\$2,555,316	\$408,869	\$177,616	(\$1,968,831)
Special	476,783		84,265	(392,518)
Vocational	5,535		9,890	4,355
Student Intervention Services	5,349			(5,349)
Other	330,887			(330,887)
Support Services:				
Pupils	482,414			(482,414)
Instructional Staff	394,738		123,187	(271,551)
Board of Education	34,693			(34,693)
Administration	666,167			(666,167)
Fiscal	341,550			(341,550)
Business	380			(380)
Operation and Maintenance of Plant	475,821			(475,821)
Pupil Transportation	226,540			(226,540)
Central	(2,265)		6,456	8,721
Operation of Non-Instructional Services	151,190	97,003	45,739	(8,448)
Extracurricular Activities	278,311	137,971		(140,340)
Debt Service:				
Interest and Fiscal Charges	787,244			(787,244)
Totals	<u>\$7,210,653</u>	<u>\$643,843</u>	<u>\$447,153</u>	<u>(6,119,657)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	1,862,644
Capital Outlay	195,272
Debt Service	535,804
Income Taxes Levied for General Purposes	1,046,999
Grants and Entitlements not Restricted to Specific Programs	3,414,939
Gifts and Donations	17,647
Investment Earnings	41,367
Miscellaneous	136,253
Total General Revenues	<u>7,250,925</u>
Change in Net Assets	1,131,268
Net Assets Beginning of Year	15,467,458
Net Assets End of Year	<u>\$16,598,726</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Locally Funded Initiative Building Fund	OSFC Grant	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,497,225	\$2,572,025	\$5,950,973	\$950,259	\$11,970,482
Cash and Cash Equivalents with Fiscal Agents				33	33
Cash and Cash Equivalents with Escrow Agents			334,215		334,215
Materials and Supplies Inventory				2,594	2,594
Accrued Interest Receivable	174			43	217
Accounts Receivable	44,801		250	5,668	50,719
Intergovernmental Receivable			1,723,779	30,892	1,754,671
Prepaid Items	10,338			240	10,578
Taxes Receivable	1,793,501			584,933	2,378,434
Income Taxes Receivable	388,106			97,027	485,133
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent				424,373	424,373
Total Assets	<u>4,734,145</u>	<u>2,572,025</u>	<u>8,009,217</u>	<u>2,096,062</u>	<u>17,411,449</u>
Liabilities:					
Current Liabilities:					
Accounts Payable	9,603		698	7,121	17,422
Accrued Wages and Benefits	419,095			37,585	456,680
Contracts Payable		58,257	1,082,315		1,140,572
Intergovernmental Payable	150,831			14,745	165,576
Retainage Payable			334,215		334,215
Matured Compensated Absences Payable	16,468				16,468
Deferred Revenue	1,703,334		1,682,585	556,418	3,942,337
	<u>2,299,331</u>	<u>58,257</u>	<u>3,099,813</u>	<u>615,869</u>	<u>6,073,270</u>
Fund Balances:					
Non-spendable	10,338			2,834	13,172
Restricted		2,513,768	4,909,404	1,499,091	8,922,263
Assigned	47,057				47,057
Unassigned	2,377,419			(21,732)	2,355,687
Total Fund Balances	<u>2,434,814</u>	<u>2,513,768</u>	<u>4,909,404</u>	<u>1,480,193</u>	<u>11,338,179</u>
Total Liabilities and Fund Balances	<u>\$4,734,145</u>	<u>\$2,572,025</u>	<u>\$8,009,217</u>	<u>\$2,096,062</u>	<u>\$17,411,449</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances	\$11,338,179
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	17,482,981
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Receivable that do not provide financial resources are not reported as revenues in governmental fund.

Property Taxes	\$40,015	
Income Taxes	70,354	
Intergovernmental	1,682,585	
Accounts Receivable	13,807	
		1,806,761

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Capital Lease Payable	(2,240,000)	
General Obligation Bonds Payable	(11,350,000)	
Compensated Absences Payable	(439,195)	
		(14,029,195)
Net Assets of Governmental Activities		\$16,598,726

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Locally Funded Initiative Building Fund	OSFC Grant	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	\$1,869,277			\$735,139	\$2,604,416
Income Taxes	836,660			209,165	1,045,825
Intergovernmental	2,791,564		\$3,744,656	1,062,774	7,598,994
Interest	4,548	\$3,743	33,159	(83)	41,367
Tuition and Fees	408,394				408,394
Rent	475				475
Extracurricular Activities	60,716			77,255	137,971
Gifts and Donations	9,507			8,140	17,647
Customer Sales and Services				97,003	97,003
Miscellaneous	39,310		96,943		136,253
Total Revenues	6,020,451	3,743	3,874,758	2,189,393	12,088,345
Expenditures:					
Current:					
Instruction:					
Regular	2,336,661		418	194,644	2,531,723
Special	389,561			91,446	481,007
Vocational	5,535				5,535
Student Intervention Services	5,349				5,349
Other	330,887				330,887
Support Services:					
Pupils	480,539				480,539
Instructional Staff	259,715			132,102	391,817
Board of Education	34,693				34,693
Administration	656,859		195	5,379	662,433
Fiscal	318,641		85	15,340	334,066
Business	380				380
Operation and Maintenance of Plant	433,996			27,035	461,031
Pupil Transportation	197,711				197,711
Central	1,293			(3,558)	(2,265)
Operation of Non-Instructional Services				143,401	143,401
Extracurricular Activities	192,542			85,769	278,311
Capital Outlay	35,942	968,291	13,057,183		14,061,416
Debt Service:					
Principal				70,000	70,000
Interest				787,244	787,244
Total Expenditures	5,680,304	968,291	13,057,881	1,548,802	21,255,278
Net Change in Fund Balances	340,147	(964,548)	(9,183,123)	640,591	(9,166,933)
Fund Balance (Deficit) at Beginning of Year	2,094,667	3,478,316	14,092,527	839,602	20,505,112
Fund Balance (Deficit) at End of Year	<u>\$2,434,814</u>	<u>\$2,513,768</u>	<u>\$4,909,404</u>	<u>\$1,480,193</u>	<u>\$11,338,179</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds (\$9,166,933)

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay - Depreciable and Non-Depreciable Capital Assets	\$14,068,011	
Depreciation	<u>(73,071)</u>	
		13,994,940

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

Gain (Loss) on Disposal of Capital Assets		(23,386)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(3,736,902)	
Income Taxes	1,174	
Delinquent Property Taxes	<u>(10,696)</u>	
		(3,746,424)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

70,000

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>3,071</u>	
		<u>3,071</u>

Change in Net Assets of Governmental Activities		<u><u>\$1,131,268</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$1,419,840	\$1,605,765	\$1,605,738	(\$27)
Income Tax	773,554	781,064	822,569	41,505
Intergovernmental	2,803,857	2,810,006	2,756,113	(53,893)
Interest	5,000	5,000	4,571	(429)
Tuition and Fees	301,810	400,520	399,659	(861)
Rent	500	500	420	(80)
Gifts and Donations	500	500		(500)
Miscellaneous	20,000	20,000	1,974	(18,026)
Total Revenues	<u>5,325,061</u>	<u>5,623,355</u>	<u>5,591,044</u>	<u>(32,311)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,484,585	2,302,136	2,306,677	(4,541)
Special	420,668	416,226	392,099	24,127
Vocational	5,500	5,500	5,535	(35)
Student Intervention Services	2,821	4,989	5,349	(360)
Other	85,000	95,000	57,214	37,786
Support Services:				
Pupils	400,566	427,388	407,659	19,729
Instructional Staff	266,790	268,758	257,254	11,504
Board of Education	38,600	35,610	33,098	2,512
Administration	657,557	649,598	673,243	(23,645)
Fiscal	332,050	334,980	320,650	14,330
Business	500	500	380	120
Operation and Maintenance of Plant	507,413	487,080	459,282	27,798
Pupil Transportation	243,598	232,798	205,175	27,623
Central	350	350	5	345
Extracurricular Activities	193,212	194,197	189,770	4,427
Capital Outlay	33,118	33,118	37,332	(4,214)
Total Expenditures	<u>5,672,328</u>	<u>5,488,228</u>	<u>5,350,722</u>	<u>137,506</u>
Excess of Revenues Over (Under) Expenditures	<u>(347,267)</u>	<u>135,127</u>	<u>240,322</u>	<u>105,195</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Capital Assets	1,000	500		(500)
Refund of Prior Year Expenditures	10,000	7,000	7,314	314
Transfers Out	(15,000)	(15,000)		15,000
Total Other Financing Sources and Uses	<u>(4,000)</u>	<u>(7,500)</u>	<u>7,314</u>	<u>14,814</u>
Net Change in Fund Balances	<u>(351,267)</u>	<u>127,627</u>	<u>247,636</u>	<u>120,009</u>
Fund Balance (Deficit) at Beginning of Year	2,197,899	2,197,899	2,197,899	
Prior Year Encumbrances Appropriated	12,433	12,433	12,433	
Fund Balance (Deficit) at End of Year	<u>\$1,859,065</u>	<u>\$2,337,959</u>	<u>\$2,457,968</u>	<u>\$120,009</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$20,112	\$33,682
Total Assets	<u>20,112</u>	<u>33,682</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		10,876
Due to Students		22,806
Total Liabilities		<u>33,682</u>
Net Assets		
Held in Trust for Scholarships	20,112	
Total Net Assets	<u>\$20,112</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statement.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$8,797
Total Additions	<u>8,797</u>
Deductions:	
Payments in Accordance with Trust Agreements	7,250
Total Deductions	<u>7,250</u>
Change in Net Assets	1,547
Net Assets Beginning of Year	<u>18,565</u>
Net Assets End of Year	<u><u>\$20,112</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately 49 square miles. It is staffed by 26 noncertified employees, 43 certified full time teaching personnel, including 4 administrators, who provide services to 622 students and other community members. The School District currently operates one instructional/support facility.

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 governmental activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. Governmental Funds:

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Locally Funded Initiative Building Fund – The Locally Funded Building Initiative Fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays related to the local share of the new school building.

Ohio School Facilities Commission (OSFC) Grant Fund - The OSFC Grant Fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. These monies are received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

2. Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's only trust fund is a private purpose trust which accounts for various college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements:

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income tax, tuition, student fees, interest, grants, charges for services, gifts and donations and rent.

2. Unearned / Deferred Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as unearned revenue. Grants and entitlements from other school districts received before the eligibility requirements are met are also recorded as unearned revenue.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures:

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

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

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents."

During fiscal year 2012, the School District had investments in money market accounts, federal agency investments, and negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices.

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 2012 amounted to \$4,548, which includes \$819 assigned from other funds.

An analysis of the District's investments at year end is provided in Note 5.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Assets/Liabilities

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

H. Inventory of Supplies and Materials

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Other Governmental Funds include amounts required to be deposited in a mandatory sinking fund by the School District's Qualified School Construction Bond agreement.

J. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. The capital lease and the general obligation bonds that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

L. Compensated Absences

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

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

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

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

M. Interfund Transactions

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

N. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the policies of the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

O. Net Assets

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

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

P. Estimates

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. ACCOUNTABILITY

At June 30, 2012, the EMIS, Jobs Education, Title VI-B, Title II-D, Title I, and Title II-A special revenue funds had deficit fund balances of \$6,456, \$357, \$4,785, \$72, \$7,868, and \$1,954, respectively. The general fund provides transfers to cover the deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.
6. Some funds are reported as part of the General Fund (GAAP Basis) as opposed to the General Fund being reported alone (budget basis).

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$340,147
Net Adjustment for Revenue Accruals	(352,101)
Net Adjustment for Expenditure Accruals:	220,375
Adjustment for Encumbrances	36,992
Funds Budgeted Elsewhere	2,223
Budget Basis	\$247,636

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Cash and Cash Equivalents with Escrow Agents: At fiscal year end, the School District had \$334,215 shown as Cash and Cash Equivalents with Escrow Agent in the OSFC grant fund. This cash is held in separate bank accounts for retainage on the OSFC project.

Restricted Assets: Cash and Cash Equivalents with Fiscal Agents: At fiscal year end, the School District had \$424,373 shown as Restricted Assets: Cash and Cash Equivalents with Fiscal Agents in Other Governmental Funds. This restricted cash is the balance in the mandatory sinking fund required by the Qualified School Construction Bonds.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$8,160,458 of the School District's bank balance of \$8,660,458 was exposed to custodial credit risk because it was uninsured and collateralized, while \$500,000 was covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

B. Investments

At June 30, 2012, the School District's investments consisted of Federal Home Loan Bank (FHLB) Notes, negotiable certificates of deposit, and money market accounts. The weighted average maturity of the School District's investments is 0.95 years.

Investment Type	Fair Value	Investment Maturity		
		Less than 12 Months	13 to 24 Months	25 to 60 Months
FHLB	\$ 500,000	\$ -	\$ -	\$ 500,000
Negotiable Certificates of Deposit	2,654,197	2,654,197	-	-
Money Market	251,140	251,140	-	-

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

Credit Risk: The School District's investments in money markets carry ratings of AAAM by Standard & Poor's. The School District's federal agency securities were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The School District's negotiable certificates of deposit were not rated. The School District's investment policy limits investments to those authorized by State statute.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in the federal agency securities and money market mutual funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. \$2,650,000 of the negotiable certificate of deposits were covered by FDIC. The School District's investment policy does not address investment custodial risk beyond the requirement the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$500,000	14.69%
Negotiable Certificates of Deposit	2,654,197	77.94%
Money Market	251,140	7.37%
Total	<u>\$3,405,337</u>	<u>100.00%</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

The School District receives property taxes from Greene and Clark Counties. 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, 2012 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$146,450 in the General Fund, \$41,175 in the Bond Retirement Fund, and \$15,218 in the Permanent Improvement Fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$84,718,460	95.13%	\$86,831,550	95.18%
Public Utilities	4,334,460	4.87%	4,398,790	4.82%
Total Assessed Value	<u>\$89,052,920</u>	<u>100.00%</u>	<u>\$91,230,340</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.85		\$38.85	

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. The School District's residents also approved a .25% income tax for capital projects purposes in November 2009 with an effective date of January 2010. The School District authorized an annual portion of the .25% income tax to be earmarked to satisfy the maintenance of completed facilities in the Maintenance Fund. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$836,660 and \$209,165 was credited to the general fund and other governmental funds, respectively, during fiscal year 2012.

8. RECEIVABLES

Receivables at June 30, 2012, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and accrued interest. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Major Fund:	
OSFC Grant	\$1,723,779
Non-major Funds:	
Title IDEA	13,334
Title I	13,925
Title II-A	3,633
Total Intergovernmental Receivables	<u>\$1,754,671</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Non-Depreciable Capital Assets:				
Land	\$122,820			\$122,820
CIP	2,380,916	\$14,042,476		16,423,392
Total Non-Depreciable	<u>2,503,736</u>	<u>14,042,476</u>		<u>16,546,212</u>
Depreciable Capital Assets:				
Land Improvements	421,080	25,535		446,615
Buildings and Building Improvements	1,870,397			1,870,397
Furniture, Fixtures, and Equipment	1,250,259		\$36,252	1,214,007
Vehicles	581,059			581,059
Educational Media	119,614			119,614
Total Depreciable Capital Assets	<u>4,242,409</u>	<u>25,535</u>	<u>36,252</u>	<u>4,231,692</u>
Less Accumulated Depreciation:				
Land Improvements	255,017	10,046		265,063
Buildings and Building Improvements	1,629,954	21,199		1,651,153
Furniture, Fixtures, and Equipment	909,293	15,499	12,866	911,926
Vehicles	342,082	26,327		368,409
Educational Media	98,372			98,372
Total Accumulated Depreciation	<u>3,234,718</u>	<u>73,071</u>	<u>12,866</u>	<u>3,294,923</u>
Depreciable Capital Assets, Net	<u>1,007,691</u>	<u>(47,536)</u>	<u>23,386</u>	<u>936,769</u>
Net Capital Assets	<u>\$3,511,427</u>	<u>\$13,994,940</u>	<u>\$23,386</u>	<u>\$17,482,981</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$25,627
Support Services:	
Administration	2,400
Fiscal	703
Operation and Maintenance	14,221
Pupil Transportation	27,116
Operation of Non-Instructional Services	3,004
Total Depreciation Expense	<u>\$73,071</u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Indiana Insurance Company for property, fleet insurance, liability insurance and inland coverage.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. RISK MANAGEMENT (Continued)

Coverage provided by Indiana Insurance is as follows:

Building and Contents – replacement cost (\$2,500 deductible)	\$18,211,312
Inland Marine Coverage (\$250/\$500 deductible)	437,579
Boiler and Machinery (\$1,000 deductible)	18,183,000
Monies and Securities	10,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability Per Occurrence	1,000,000
Aggregate	2,000,000
Umbrella	3,000,000

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

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$137,529, \$107,884, and \$115,005, respectively, which equaled the required contributions for each year.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$378,801, \$373,967, and \$344,975; 83.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board are with SERS.

12. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

SERS administers two postemployment benefit plans:

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,122, \$6,942 and \$6,839, respectively, which equaled the required contributions each year.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was 0.55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,956, \$13,069 and \$4,139, respectively.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$29,139, \$28,767 and \$26,537, respectively; 83.77 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to 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 240 days for classified staff and 240 days for certified staff. Upon retirement, payment is made for one fourth of accrued, but unused sick leave credit to a maximum of 60 days for all certified employees and 52 days for classified employees.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

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. Dental insurance is provided through Delta Dental.

14. CAPITAL LEASES

During 2011, the District has entered into lease agreement for a new building, metal roof, geothermal HVAC system, and terrazzo floors.

The lease obligation meets the criteria of a capital lease as defined by State Legislation.

Principal payments in fiscal year 2012 totaled \$70,000 in the governmental funds. The capital leases payable have been recorded on the government-wide statements.

Capital lease will be paid by the permanent improvement fund.

The agreements provide for minimum annual rental payments as follows:

Year	Lease Payments
2013	\$140,319
2014	144,569
2015	143,769
2016	147,806
2017	151,556
2018 - 2022	681,088
2023 - 2027	711,441
2028 - 2032	867,660
2033 - 2037	1,046,453
2038	231,187
Total Payments	4,265,848
Less: Amount Representing Interest	(2,025,848)
Present Value of Net Minimum Lease Payments	\$2,240,000

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amount Due in One Year
QSCB Bond Issue 2010	\$7,910,000			\$7,910,000	
Build America Bonds 2010	3,440,000			3,440,000	
Capital Leases	2,310,000		\$70,000	2,240,000	\$35,000
Compensated Absences	442,266		3,071	439,195	3,557
Total	\$14,102,266	\$0	\$73,071	\$14,029,195	\$38,557

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

A. Qualified School Construction Bonds

Proceeds from the bonds will be used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities. These bonds were issued on April 15, 2010. The bonds consisted of \$7,910,000 in current bonds with an interest rate of 6.04 percent. The bonds are not subject to mandatory sinking fund redemption, the School District has agreed to make deposits annually on December 1 of each year, into a sinking fund account to be held by the Paying Agent for payment of the principal amount of the bonds at maturity. The bonds are being retired through the Bond Retirement fund. Payments shall be made to the Paying Agent by the School District annually in the amounts needed so that the balance in the sinking fund (after taking into account the interest earned on such fund) shall equal, but not exceed, the mandatory sinking fund balance on the dates listed below:

<u>Calendar Year</u>	<u>Mandatory Sinking Fund Balance</u>
2012	\$857,232
2013	1,298,750
2014	1,749,097
2015	2,208,452
2016	2,676,993
2017	3,154,905
2018	3,642,376
2019	4,139,596
2020	4,646,760
2021	5,164,068
2022	5,691,722
2023	6,229,929
2024	6,778,900
2025	7,338,850
2026	7,910,000

B. Build America Bonds

Proceeds from the bonds will be used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities. These bonds were issued on September 1, 2010. The bonds consisted of \$3,440,000 in current bonds. The interest rates on the bonds are 5.815 % to 5.965%. The bonds will mature December 1, 2035. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2012, the School District's overall legal debt limitation was (\$3,139,267), and the un-voted debt margin was \$91,230.

The scheduled payments of principal and interest on debt outstanding at June 30, 2012 are as follows:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	Principal	Interest	Total
2013		\$680,875	\$680,875
2014		680,875	680,875
2015		680,875	680,875
2016		680,875	680,875
2017		680,875	680,875
2018 – 2022		3,404,375	3,404,375
2023 – 2027	\$7,910,000	3,165,493	11,075,493
2028 – 2032	1,770,000	765,225	2,535,225
2033 – 2036	1,670,000	203,708	1,873,708
Total	<u>\$11,350,000</u>	<u>\$10,943,176</u>	<u>\$22,293,176</u>

16. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA) - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$20,682 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 126 public school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the general fund. During fiscal year 2012, the School District paid \$543,506 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA \$760 for services provided during the year. To obtain financial information, write to Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Greene County Career Center - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. The Cedar Cliff Local School District did not contribute any money to the Greene County Career Center during the 2012 fiscal year.

17. INSURANCE PURCHASING POOL

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

18. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2011	
Current Year Set-aside Requirement	\$104,714
Carryover from Prior Year	(3,592,529)
Offsets - Permanent Improvement Tax Proceeds	(384,874)
Offsets - Maintenance Fund Tax Proceeds	(43,878)
Qualifying Disbursements	(35,512)
Set-aside Reserve Balance as of June 30, 2012	(\$3,952,079)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$3,592,529)

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 are 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

20. CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District had the following contractual purchase commitments:

Company	Amount Remaining
Peterson Construction	\$4,107,651
Cincinnati Dayton Fire Protection, Inc.	71,089
Hobbs Industrial Piping, Inc.	218,068
Starco, Inc.	1,196,145
Chapel Electric	1,299,162
Garmann/Miller & Associates	168,155
Stan and Associates, Inc.	33,023
Total	\$7,093,293

21. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Locally Funded Initiative Building Fund	OFSC Grant Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable for:					
Prepaid Items	\$10,338			\$240	\$10,578
Materials & Supplies				2,594	2,594
Total Non-spendable	10,338			2,834	13,172
Restricted for:					
Athletics				20,801	20,801
Food Service Operations				2,437	2,427
Facilities Maintenance				86,403	86,403
Debt Retirement				826,555	826,555
Permanent Improvements				562,895	562,895
Building Construction		\$2,513,768	\$4,909,404		7,423,172
Total Restricted		2,513,768	4,909,404	1,499,091	8,922,263

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

21. FUND BALANCE (Continued)

Fund Balance	General Fund	Locally Funded Initiative Building Fund	OFSC Grant Fund	Other Governmental Funds	Total Governmental Funds
Assigned for:					
Emergency Levy	1,246				1,246
Public School Support	17,773				17,773
Encumbrances	28,038				28,038
Total Assigned	47,057				47,057
Unassigned	2,377,419			(21,732)	2,355,687
Total Fund Balance	<u>\$2,434,814</u>	<u>\$2,513,768</u>	<u>\$4,909,404</u>	<u>\$1,480,193</u>	<u>\$11,338,179</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 9, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

May 9, 2014

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

FINDING NUMBER 2012-001

MATERIAL WEAKNESS

Financial Statement Errors

The District's fiscal year 2012 financial statements contained various errors. The following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements:

Government wide statement of net assets and statement of activities:

1. Net Assets at June 30, 2012 was misclassified by the following amounts in the statement of net assets:
 - a. Invested in capital assets net of related debt overstated by \$2,896,596.
 - b. Restricted for capital projects understated by \$1,625,225.
 - c. Restricted for other purposes understated by \$1,082.
 - d. Unrestricted net assets were understated by \$1,270,289.
2. The District understated Contracts Payable and related construction in progress by \$456,062.
3. The District did not report Cash and Cash Equivalents with Escrow Agents and related Retainage Payable of \$334,215.
4. The District expensed capital assets related to contracts payable in the amount of \$684,510

Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances:

Locally Funded Initiative Building Fund:

1. The District understated Contracts Payable and Capital Outlay expenditure by \$56,834.

OSFC Grant Fund

1. The District understated Contracts Payable and Capital Outlay expenditure by \$399,228.
2. The District did not report Cash and Cash Equivalents with Escrow Agents and related Retainage Payable of \$334,215.

In addition there were other errors identified which are not material and not adjusted to the accompanying financial statements as follows:

Government wide statement of net position and statement of activities:

1. The District overstated Compensated Absences, and related capital outlay expenses by \$51,196.
2. The District understated Interest Payable and Interest Expense by \$64,471.
3. The July 1, 2011 balance per the District's financial statements for depreciable capital assets was \$217,503 more than the amount reported in the system generated EIS report.

**FINDING 2012-001
(Continued)**

Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances:

General Fund

1. The District overstated Income Tax Receivable and Income Tax Revenue by \$21,251.

Other Governmental Funds

1. The District overstated Income Tax Receivable and Income Tax Revenue by \$5,313.
2. The District overstated Special Expenditures and understated Instructional Staff Expenditures by \$3,001.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund

1. The District overstated Budgetary Fund Balance at the Beginning of the Year by \$22,102.
2. The District overstated Original Budgeted Expenditures by \$184,102.

The District should develop policies and implement procedures to properly record all financial activity on the annual financial statements. A review system should also be in place to identify and correct any significant errors that occur during the financial compilation process. Failure to do so could result in material misstatements going unnoticed and users of financial statements using incorrect amounts to make decisions about the District's operations.

Official's Response:

We did not receive a response from Officials to this finding

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Financial Statement Errors	No	Repeated as Finding 2012-001

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CEDAR CLIFF LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2014**