

***CEDAR CLIFF LOCAL SCHOOL DISTRICT***

***GREENE COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2016**







# Dave Yost • Auditor of State

Board of Education  
Cedar Cliff Local School District  
P. O. Box 45  
Cedarville, Ohio 45314

We have reviewed the *Independent Auditor's Report* of the Cedar Cliff Local School District, Greene County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cedar Cliff Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 22, 2018

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
 GREENE COUNTY  
 AUDIT REPORT  
 For the Year Ended June 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cedar Cliff Local School District, Greene County, Ohio, (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cedar Cliff Local School District, Greene County, Ohio as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 29, 2017



**CEDAR CLIFF LOCAL SCHOOL DISTRICT**  
**GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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The discussion and analysis of the Cedar Cliff Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- Total net position reported at June 30, 2016 increased by 11.5 percent from beginning balance as the positive change associated with the increase in current assets and the decrease in the deferred inflows of resources was larger than the negative change associated with the increase in total liabilities for the fiscal year.
- Total assets of governmental activities increased by approximately \$1.1 million (3.0 percent) from one year prior as cash and cash equivalents (including restricted cash) increased significantly during the year. The \$530,441 increase in total liabilities (due to the increase in the net pension liability) was partially offset by the \$402,125 decrease in total deferred inflows of resources (also due to the recognition of current year pension liability components).
- General revenues accounted for \$7.3 million or 79.5 percent of total revenue. Program specific revenues in the form of charges for services, as well as operating grants and contributions account for \$1.9 million or 20.5 percent of total revenues of \$9.2 million. Total revenue reported for fiscal year 2016 was \$122,812 (1.4 percent) more than the amount reported for the prior year. Additional property taxes and charges for services revenue for the current year were higher than the decrease in operating grants, primarily state and federal educational grant programs.
- Of the School District's \$7.9 million in expenses, only \$1.9 million were offset by program specific charges for services, grants or contributions. General revenues were used to cover the net expense of \$6.0 million. Total expenses of the School District increased by \$234,618 compared to the prior year due to higher personnel costs (wages, benefits and pension expenses) for fiscal year 2016 compared to fiscal year 2015.
- The General Fund, the School District's primary operating fund, reported a 21.6 percent increase in fund balance for fiscal year 2016 due to increased property and state foundation revenues. The \$4.2 million, unassigned fund balance reported at June 30, 2016 represents 66.1 percent of the total expenditures reported for the General Fund for the fiscal year.

### **Using the Basic Financial Statements**

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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. While the General Fund is the general operating fund of the Cedar Cliff Local School District, individual fund statements are also presented for the Bond Retirement Fund since it is also considered a major governmental fund.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains a 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 fiscal year 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. 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 position and the change in that net position. This change in net position 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, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position 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 including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

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

#### *Fund Financial Statements*

The analysis of the School District's funds begins after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. All the funds of the School District can be divided into two categories: governmental and fiduciary funds. The School District does not have any funds which are classified as proprietary. The fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other funds. For fiscal year 2016, the School District has two major governmental funds: the General and Bond Retirement Funds.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

Governmental Funds

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 future periods. These funds are reported using an accounting method called modified accrual, 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the School District. The accounting used for fiduciary funds is much like that in the government-wide financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

**TABLE 1  
NET POSITION**

	2016	2015
<i>Assets:</i>		
Current and other Assets	\$ 11,672,086	\$ 10,134,428
Capital Assets	26,015,233	26,473,526
	37,687,319	36,607,954
<i>Deferred Outflows of Resources</i>		
Pension	843,657	567,444
Other Deferred Outflows	71,464	73,251
	915,121	640,695
<i>Liabilities:</i>		
Current and Other Liabilities	695,954	673,126
Long-Term Liabilities:		
Due within One Year	82,050	75,000
Due in More Than One Year:		
Net Pension Liability	8,565,723	8,006,452
Other Long-term Liabilities	13,713,057	13,771,765
	23,056,784	22,526,343

(Continued)

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

**TABLE 1  
NET POSITION**

	2016	2015
<i>Deferred Inflows of Resources</i>		
Pension	995,417	1,444,266
Other Deferred Inflows	2,661,307	2,614,583
	3,656,724	4,058,849
<i>Net Position</i>		
Net Investment in Capital Assets	12,523,298	12,928,460
Restricted	3,959,046	3,226,549
Unrestricted	(4,593,412)	(5,491,552)
	\$ 11,888,932	\$ 10,663,457

In the prior year, the School District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange”—that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as*

**CEDAR CLIFF LOCAL SCHOOL DISTRICT**  
**GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
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*against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

As required by GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2016, the School District's total net position was \$11.9 million. Of that amount, approximately \$12.5 million was the net investment in capital assets. Another \$3.9 million was subject to external restrictions upon its use. The remaining deficit of \$4.6 million resulted from the School District's recognition of its proportionate share of the retirement systems' net pension liability. If the components of recording the net pension liability are removed from the Statement of Net Position, the School District's ending unrestricted net position would be approximately \$4.1 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide pension funds and or the pension benefits offered; both of which control the net pension liability which has a significant effect on the School District's financial statements.

Total assets increased by \$1.1 million at June 30, 2016 compared to one year prior as the increase in cash and cash equivalents, including restricted cash, of approximately \$1.5 million was greater than the decrease reported in net capital assets for the fiscal year. The School District makes annual deposits in a debt sinking fund to accumulate sufficient resources to pay-off the \$7.9 million of Qualified School Construction Bonds when they mature, as required by covenants within the issuance. At June 30, 2016 the sinking fund reported a balance of \$2.2 million. Pooled cash and cash equivalents reported at the end of the fiscal year increase over \$1.0 million from the previous year due to the result of operations.

The \$530,441 increase in total liabilities, primarily due to the increase in the net pension liability, was offset by the decrease in other obligations resulting from scheduled debt service payments. The increase in deferred outflows of resources and the decrease in the deferred inflows of resources were due to the recognition of current year pension liability components by the retirement systems.

Table 2 shows the changes in net position for fiscal year 2016 as compared to those for fiscal year 2015.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

**TABLE 2  
CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,167,451	\$ 1,093,787
Operating Grants and Contributions	715,090	791,425
General Revenues:		
Property Taxes	2,902,032	2,825,098
Income Taxes	1,144,669	1,134,484
Grants and Entitlements	3,067,019	3,054,543
Other	<u>170,602</u>	<u>144,714</u>
Total Revenues	<u>9,166,863</u>	<u>9,044,051</u>
<b>Program Expenses</b>		
Instruction	4,126,585	3,869,170
Support Services:		
Pupil and Instructional Staff	709,359	656,362
Board of Education, Administration, and Fiscal	885,404	888,201
Plant Operation and Maintenance	728,970	711,349
Pupil Transportation	298,752	259,091
Central	19,982	3,363
Operation of Non-Instructional Services	155,538	178,018
Extracurricular Activities	316,953	369,275
Interest, Fiscal Charges, and Issuance Costs	<u>699,845</u>	<u>771,941</u>
Total Expenses	<u>7,941,388</u>	<u>7,706,770</u>
Change in Net Position	1,225,475	1,337,281
Beginning Net Position	<u>10,663,457</u>	<u>9,326,176</u>
Ending Net Position	<u>\$ 11,888,932</u>	<u>\$ 10,663,457</u>

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for local operating funds. The overall revenue generated by a voted property tax levy does not increase solely as a result of inflation. Local taxes (property and income) made up 44.1 percent of the total revenue for governmental activities for the Cedar Cliff Local School District for fiscal year 2016, compared to 43.8 percent in the prior fiscal year. Local tax revenue increased by \$87,119 as the local economy continues to improve. Grants and entitlements decreased by \$63,859 as educational grant funding received for the fiscal year was less than that received in the prior year. Charges for services program revenue increased by \$73,664 as tuition and fees revenue increased due to higher student enrollment through open enrollment for the current fiscal year as well as increased revenues associated with food service operations and extracurricular activities.

Total expenses of the School District increased by 3.0 percent in fiscal year 2016 compared with the previous year. The majority of the increase was noted in the functional expenses directly related to student instruction, instructional services as well as pupil and instructional staff support services. The primary driver of expenses for the School District is associated with personnel expenses (wages, fringe benefits, and pension expense), all of which reported increases for the current fiscal year. Management of the School District remains committed to minimizing increases in operating expenses whenever possible.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows total and net cost of services for each function for last two fiscal years.

**TABLE 3  
TOTAL AND COST OF PROGRAM SERVICES  
GOVERNMENTAL ACTIVITIES**

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,126,585	\$ 2,984,363	\$ 3,869,170	\$ 2,784,558
Support Services:				
Pupil and Instructional Staff	709,359	709,359	656,362	656,362
Board of Education, Administration, Fiscal and Business	885,404	885,404	888,201	888,201
Plant Operation and Maintenance	728,970	722,565	711,349	705,114
Pupil Transportation	298,752	298,752	259,091	259,091
Central	19,982	19,982	3,363	3,363
Operation of Non-Instructional Services	155,538	(19,138)	178,018	(6,696)
Extracurricular Activities	316,953	188,269	369,275	239,262
Interest and Fiscal Charges	699,845	269,291	771,941	292,303
Total Expenses	<u>\$ 7,941,388</u>	<u>\$ 6,058,847</u>	<u>\$ 7,706,770</u>	<u>\$ 5,821,558</u>

As shown in Table 3 above, the net cost of service increased by \$237,289 compared with those reported for the prior fiscal year, which is consistent with the overall increase in the functional expenses.

**The School District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9.2 million and expenditures of \$7.7 million which resulted in a net change of \$1.5 million in total governmental fund balance for the year. Revenues of the general fund increased by \$298,026 due to increases in open enrollment tuition and fees, property taxes, and income taxes revenues for reasons explained above. Total expenditures of the general fund increased by \$383,646 over those reported for fiscal year 2015 due the increased cost of personnel previously discussed. The overall increase in fund balance for the general fund was larger for the current fiscal year compared to the prior year as there was no need to transfer any funds out during this fiscal year. The ending fund balance of the general fund was \$4.3 million at June 30, 2016, of which approximately \$4.2 million was reported as unassigned. The ending unassigned fund balance of the general fund at June 30, 2016 represents 66.1 percent of the total general fund expenditures reported for the fiscal year.

The remaining major fund, the bond retirement fund, reported a \$487,768 increase in fund balance ending the fiscal year at \$2.8 million. The change in the bond retirement fund is consistent with the results reported in the prior year and resulted from the School District making the scheduled payments to the sinking fund which was established in accordance with the bond covenants to accumulate resources to pay future debt obligations as they come due.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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**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.

For the general fund, budget basis revenue was \$6.6 million as compared to the original budget estimates of \$6.5 million. The School District conservatively estimated the property tax revenues at the beginning of the school year. In addition, open enrollment tuition and fees revenue reported was more than that anticipated at the start of the fiscal year. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$6.0 million; 3.5 percent more than the total anticipated in the original budgeted appropriations. The final budgeted expenditures were \$314,676 more than the original appropriations adopted for the fiscal year as the School District increased the annual budget to account for the increase in personnel costs encountered during the year.

The actual budgetary fund balance for the general fund reported at the end of the fiscal year was \$4.3 million compared with the \$4.2 million anticipated when the original budget was developed. The final, adjusted budget adopted for the fiscal year anticipated an ending general fund balance of \$4.0 million on a budget basis which was \$253,724 less than the actual ending budgetary fund balance.

**Capital Assets**

At the end of fiscal year 2016, the School District had \$26.0 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and educational media in governmental activities. Table 4 shows fiscal year 2016 balances compared to 2015 balances; however for greater detail readers should review Note 10 to the basic financial statements.

**TABLE 4  
CAPITAL ASSETS AT JUNE 30**

	<u>2016</u>	<u>2015</u>
Land	\$ 122,820	\$ 122,820
Land Improvements	857,783	888,327
Buildings and Improvements	23,280,989	23,550,241
Furniture, Fixtures and Equipment	1,275,511	1,452,799
Vehicles	354,730	316,245
Educational Media	<u>123,400</u>	<u>143,094</u>
Total Net Capital Assets	<u>\$ 26,015,233</u>	<u>\$ 26,473,526</u>

Overall, net capital assets decreased \$458,293 from fiscal year 2015 amounts. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets. Depreciation expense for the fiscal year was \$551,933 with total additions to capital assets amounting to \$102,222.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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**Debt Administration**

At June 30, 2016, the School District had \$11.3 million in general obligation bonds and \$2.1 million in capital lease obligation outstanding. Of the \$13.4 in total general obligations outstanding at fiscal year-end, only \$50,000 is due for payment during the next fiscal year. Payments for the Qualified School Construction Bonds are being deposited into a sinking fund until the first payment becomes due in fiscal year 2027.

At June 30, 2016, the School District's overall legal debt margin was approximately \$1.1 million and the total unvoted debt margin was \$106,062.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 15 and 16 to the basic financial statements.

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,967,987
Materials and Supplies Inventory	11,171
Income Taxes Receivable	496,975
Property Taxes Receivable	2,798,509
Accounts Receivable	84,229
Intergovernmental Receivable	69,978
Prepaid Items	7,566
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	2,235,671
Capital Assets:	
Non Depreciable Assets	122,820
Depreciable Assets	25,892,413
Total Assets	37,687,319
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Charge on Refunding	71,464
Pension	843,657
Total Deferred Outflows of Resources	915,121
<b>LIABILITIES:</b>	
Accounts Payable	27,392
Accrued Wages and Benefits	486,581
Intergovernmental Payable	123,022
Accrued Interest Payable	58,959
Long-Term Liabilities:	
Due Within One Year	82,050
Due In More Than One Year:	
Net Pension Liability	8,565,723
Other Amounts Due in More than One Year	13,713,057
Total Liabilities	23,056,784
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Property Taxes not Levied to Finance Current Year Operations	2,661,307
Pension	995,417
Total Deferred Inflows of Resources	3,656,724
<b>NET POSITION:</b>	
Net Investment in Capital Assets	12,523,298
Restricted for:	
Debt Service	2,772,044
Capital Outlay	861,047
Maintenance of Facilities	237,410
Student Activities	53,594
Other Purposes	34,951
Unrestricted	(4,593,412)
Total Net Position	\$ 11,888,932

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT**  
**GREENE COUNTY, OHIO**

Statement of Activities  
For the Fiscal Year Ended June 30, 2016

<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction:				
Regular	\$ 3,054,359	\$ 935,414	\$ 48,463	\$ (2,070,482)
Special	766,502	-	158,345	(608,157)
Student Intervention Services	2,352	-	-	(2,352)
Other	303,372	-	-	(303,372)
Support Services:				
Pupils	378,292	-	-	(378,292)
Instructional Staff	331,067	-	-	(331,067)
Board of Education	19,122	-	-	(19,122)
Administration	565,898	-	-	(565,898)
Fiscal	300,384	-	-	(300,384)
Operation and Maintenance of Plant	728,970	6,405	-	(722,565)
Pupil Transportation	298,752	-	-	(298,752)
Central	19,982	-	-	(19,982)
Non-instructional Services	155,538	107,106	67,570	19,138
Extracurricular Activities	316,953	118,526	10,158	(188,269)
Interest and Fiscal Charges	699,845	-	430,554	(269,291)
Total	<u>\$ 7,941,388</u>	<u>\$ 1,167,451</u>	<u>\$ 715,090</u>	(6,058,847)
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,137,579
Debt Service				566,270
Capital Outlay				198,183
Income Taxes Levied for:				
General Purposes				915,735
Capital Outlay				185,056
Facility Maintenance				43,878
Grants, Entitlements and Contributions not Restricted to Specific Programs				3,067,019
Investment Earnings				44,431
Miscellaneous				126,171
			Total General Revenues	<u>7,284,322</u>
Change in Net Position				1,225,475
Net Position, Beginning of Year				<u>10,663,457</u>
Net Position, End of Year				<u>\$ 11,888,932</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
June 30, 2016

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,366,295	\$ 562,144	\$ 1,039,548	\$ 5,967,987
Receivables:				
Property Taxes	2,110,005	492,120	196,384	2,798,509
Income Taxes	397,580	-	99,395	496,975
Accounts	50,265	-	33,964	84,229
Intergovernmental	46,050	-	23,928	69,978
Materials and Supplies Inventory	8,219	-	2,952	11,171
Prepaid Items	6,320	275	971	7,566
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	-	2,235,671	-	2,235,671
Total Assets	<u>\$ 6,984,734</u>	<u>\$ 3,290,210</u>	<u>\$ 1,397,142</u>	<u>\$ 11,672,086</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 16,469	\$ -	\$ 10,923	\$ 27,392
Accrued Wages and Benefits	454,550	-	32,031	486,581
Intergovernmental Payable	117,151	-	5,871	123,022
Total Liabilities	<u>588,170</u>	<u>-</u>	<u>48,825</u>	<u>636,995</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes not Levied to Finance				
Current Year Operations	2,006,736	467,727	186,844	2,661,307
Unavailable Revenue	92,888	5,091	19,763	117,742
Total Deferred Inflows of Resources	<u>2,099,624</u>	<u>472,818</u>	<u>206,607</u>	<u>2,779,049</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventory	8,219	-	2,952	11,171
Prepaid Items	6,320	275	971	7,566
Restricted for:				
Debt	-	2,817,117	-	2,817,117
Capital Improvements	-	-	848,833	848,833
Facilities Maintenance	-	-	237,410	237,410
District Managed Activities	-	-	21,601	21,601
Food Service Operations	-	-	36,505	36,505
Education Grants	-	-	2,680	2,680
Assigned for:				
Extracurricular Activities	26,682	-	-	26,682
Emergency Operating Levy	52,794	-	-	52,794
Subsequent Expenditures	9,295	-	-	9,295
Unassigned	4,193,630	-	(9,242)	4,184,388
Total Fund Balances	<u>4,296,940</u>	<u>2,817,392</u>	<u>1,141,710</u>	<u>8,256,042</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,984,734</u>	<u>\$ 3,290,210</u>	<u>\$ 1,397,142</u>	<u>\$ 11,672,086</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016

Total Governmental Fund Balances	\$	8,256,042
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		26,015,233
Certain receivables are not available to provide current financial resources and are reported as deferred inflows of resources in governmental funds:		
Property Taxes Receivable		29,293
Income Taxes Receivable		88,449
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension		843,657
Deferred Inflows - Pension		(995,417)
Net Pension Liability		(8,565,723)
Some liabilities and deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. Those items consist of:		
Capital Lease Payable		(2,080,000)
General Obligation Bonds Payable		(11,290,000)
Accrued Interest Payable		(58,959)
Deferred Charges on Refunding		71,464
Premium on Bonds		(193,399)
Compensated Absences Payable		(231,708)
Net Position of Governmental Activities	\$	<u>11,888,932</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 2,141,542	\$ 569,685	\$ 198,565	\$ 2,909,792
Income Taxes	904,895	-	226,224	1,131,119
Intergovernmental	2,958,927	512,110	291,475	3,762,512
Tuition and Fees	905,379	-	-	905,379
Interest	26,659	17,083	689	44,431
Extracurricular Activities	54,284	-	101,416	155,700
Customer Services and Sales	-	-	107,106	107,106
Gifts and Donations	13,783	-	5,814	19,597
Miscellaneous	98,612	-	33,964	132,576
	<u>7,104,081</u>	<u>1,098,878</u>	<u>965,253</u>	<u>9,168,212</u>
Total Revenues				
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,565,140	-	113,542	2,678,682
Special	612,469	-	168,268	780,737
Student Intervention Services	2,352	-	-	2,352
Other	303,372	-	-	303,372
Support Services:				
Pupils	388,466	-	-	388,466
Instructional Staff	290,289	-	5,262	295,551
Board of Education	19,122	-	-	19,122
Administration	587,450	-	2,405	589,855
Fiscal	293,872	5,846	6,362	306,080
Operation and Maintenance of Plant	727,836	-	28,893	756,729
Pupil Transportation	282,705	-	-	282,705
Central	19,982	-	-	19,982
Operation of Non-Instructional Services	-	-	154,081	154,081
Extracurricular Activities	229,156	-	108,944	338,100
Capital Outlay	19,287	-	10,680	29,967
Debt Service:				
Principal	-	-	45,000	45,000
Interest	-	605,264	102,806	708,070
	<u>6,341,498</u>	<u>611,110</u>	<u>746,243</u>	<u>7,698,851</u>
Total Expenditures				
Net Change in Fund Balances	762,583	487,768	219,010	1,469,361
Fund Balance, Beginning of Year	<u>3,534,357</u>	<u>2,329,624</u>	<u>922,700</u>	<u>6,786,681</u>
Fund Balance, End of Year	<u>\$ 4,296,940</u>	<u>\$ 2,817,392</u>	<u>\$ 1,141,710</u>	<u>\$ 8,256,042</u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Total Net Change in Fund Balances - Total Governmental Funds	\$	1,469,361
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense and report a gain or loss on the disposal of capital assets:		
Depreciation Expense		(551,933)
Capital Asset Additions		102,222
Carrying Value of Capital Assets Disposed of		(8,582)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Property Taxes		(7,760)
Income Taxes		13,550
Tuition and Fees		(7,139)
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position:		
Capital Lease Principal Payments		45,000
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued Interest Payable		94
Amortization of Bond Premium		9,918
Amortization of Deferred Charge on Refunding		(1,787)
Compensated Absences Payable		(3,260)
Contractually required contributions are reported as expenditures in governmental funds however, the statement of activities reports these amounts as deferred outflows.		
		501,997
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(336,206)</u>
Change in Net Position of Governmental Activities	\$	<u><u>1,225,475</u></u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Property Taxes	\$ 1,850,000	\$ 1,850,000	\$ 1,912,716	\$ 62,716
Income Taxes	931,996	931,996	920,399	(11,597)
Intergovernmental	2,791,100	2,863,000	2,878,458	15,458
Tuition and Fees	870,000	867,000	894,961	27,961
Interest	9,313	11,073	18,493	7,420
Rent	6,000	6,300	6,405	105
Gifts and Donations	100	100	-	(100)
Miscellaneous	-	100	2,514	2,414
<i>Total Revenues</i>	<u>6,458,509</u>	<u>6,529,569</u>	<u>6,633,946</u>	<u>104,377</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	2,495,271	2,531,861	2,540,866	(9,005)
Special	539,490	545,500	607,875	(62,375)
Student Intervention Services	2,355	2,358	2,352	6
Other	10,500	113,000	33,507	79,493
Support Services:				
Pupils	377,346	400,448	388,797	11,651
Instructional Staff	286,861	285,933	279,781	6,152
Board of Education	23,705	23,705	16,762	6,943
Administration:	594,317	598,608	583,424	15,184
Fiscal	290,233	292,752	290,907	1,845
Business	-	-	-	-
Operation and Maintenance of Plant	681,728	803,524	735,297	68,227
Pupil Transportation	264,598	267,060	280,652	(13,592)
Central	9,500	9,500	12,583	(3,083)
Extracurricular Activities	215,721	219,152	211,335	7,817
Capital Outlay	9,890	22,790	19,287	3,503
<i>Total Expenditures</i>	<u>5,801,515</u>	<u>6,116,191</u>	<u>6,003,425</u>	<u>112,766</u>
Excess of Revenues Over (Under) Expenditures	<u>656,994</u>	<u>413,378</u>	<u>630,521</u>	<u>217,143</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	30,000	77,000	98,581	21,581
Transfers Out	(15,000)	(15,000)	-	15,000
<i>Total Other Financing Sources (Uses)</i>	<u>15,000</u>	<u>62,000</u>	<u>98,581</u>	<u>36,581</u>
Net Change in Fund Balance	671,994	475,378	729,102	253,724
Fund Balance, Beginning of Year	3,491,502	3,491,502	3,491,502	-
Prior Year Encumbrances Appropriated	42,177	42,177	42,177	-
Fund Balance, End of Year	<u>\$ 4,205,673</u>	<u>\$ 4,009,057</u>	<u>\$ 4,262,781</u>	<u>\$ 253,724</u>

See accompanying notes to the basic financial statements.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Statement of Fiduciary Net Position  
June 30, 2016

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 13,999	\$ 34,560
Receivables:		
Accounts	-	40
Prepaid Items	-	95
Total Assets	13,999	34,695
<b>LIABILITIES:</b>		
Current Liabilities:		
Due to Students	-	34,695
Total Liabilities	-	\$ 34,695
<b>NET POSITION:</b>		
Held in Trust for Scholarships	13,999	
Total Net Position	\$ 13,999	

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT**  
**GREENE COUNTY, OHIO**

Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2016

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	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and Contributions	<u>\$ 10,000</u>
Total Additions	<u>10,000</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,500</u>
Total Deductions	<u>2,500</u>
Changes in Net Position	7,500
Net Position at Beginning of Year	<u>6,499</u>
Net Position at End of Year	<u><u>\$ 13,999</u></u>

See accompanying notes to the basic financial statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 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 23 noncertified employees, 43 certified full time teaching personnel, and 9 administrators, who provide services to 633 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 17 and 18 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 Program (GRP)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position 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 statement of net position 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. 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.

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 rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

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

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

Bond Retirement Fund - The bond retirement fund is used to account for financial resources that are restricted, committed, or assigned for expenditures for the payment of general long-term debt principal, interest, and related costs.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 do 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***

Government-wide Financial Statements

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 deferred outflows of resources along with current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***D. Basis of Accounting***

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

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 12.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenues. Property taxes represent amounts for which there is a legally enforceable claim as of June 30, 2016, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 12.

Expenditures/Expenses

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. Budget Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. 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 2016.

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

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents". 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 2016 amounted to \$26,659; which includes \$6,987 assigned from other funds.

During fiscal year 2016, the School District had investments in a money market account and negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices. An analysis of the School District's investments at fiscal year-end is provided in Note 6.

***G. Inventory***

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed rather than when purchased.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

***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 Bond Retirement Fund include amounts required to be deposited in a mandatory sinking fund by the School District's Qualified School Construction Bond agreement.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 position 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 capital assets are recorded at their fair values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

***K. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses 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 and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

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

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

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences 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 during the current fiscal year.

The capital lease, general obligation bonds, and accrued interest that will be paid from governmental funds are recognized as a liability in the fund financial statements when payment is due.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. 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, if any, are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

***N. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***O. 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 the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category 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" criterion includes items that are not expected to be converted to cash.

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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s governing board. Those committed amounts cannot be used for any other purpose unless the governing board 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 fund balance classification are intended to be used by the School 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 School District applies restricted resources first when expenditures are 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 could be used.

***P. Net Position***

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on the 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 position is available.

***Q. Estimates***

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2016, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented with the financial statement. GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP.

It should also be noted that in June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The School District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements.

**NOTE 4 – ACCOUNTABILITY**

At June 30, 2016, the Title VI-B Grant and Title I Grant special revenue funds had deficit fund balances of \$1,751 and \$7,491, respectively. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) 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 for the general fund are as follows:

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 fund liability is incurred (GAAP basis).

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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. 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 statements for the general fund.

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 762,583
Revenue Accruals	(11,288)
Expenditure Accruals	18,381
Encumbrances	(20,654)
Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes	<u>(19,920)</u>
Budget Basis	<u>\$ 729,102</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in a “cash” or “near-cash” status for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – 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;

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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 Sallie Mae. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Cash on Hand**

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

**Restricted Assets: Cash and Cash Equivalents with Fiscal Agent**

At fiscal year-end, the School District had \$2,235,671 shown as restricted assets: cash and cash equivalents with fiscal agent in the bond retirement fund. This restricted cash is the balance in the mandatory sinking fund required by the Qualified School Construction Bonds.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,881,531 of the School District's bank deposits was exposed to custodial credit risk because it was uninsured and collateralized, while \$299,696 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.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Investments

At June 30, 2016, the School District's investments consisted of negotiable certificates of deposits and a money market account. The fair value of the negotiable certificates of deposits amounted to \$3,710,298 and the money market value was \$250,219. The maturity of for both investment types were less than one year.

*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 negotiable certificates of deposit were not rated. The School District's investment policy limits investments to those authorized by State statute.

*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 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. \$3,710,298 of the negotiable certificate of deposits was 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. At June 30, 2016, 94 percent of the School District's investment portfolio was in negotiable certificates of deposits and the remaining 6 percent was in money market mutual funds.

Fair Value Measurement

The District's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The District's investments in negotiable certificates of deposits and money market mutual fund both are categorized as level 2 – observable inputs, as of June 30, 2016.

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assess values upon which the fiscal year 2016 taxes were collected are:

	2016 First Half Collections		2015 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate property	\$ 100,538,060	94.79%	\$ 99,502,010	94.92%
Public utility personal property	5,523,500	5.21%	5,328,610	5.08%
Total	\$ 106,061,560	100.00%	\$ 104,830,620	100.00%
Tax rate per \$1,000 of assessed valuation	\$40.20		\$42.20	

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 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 inflows of resources.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 7 - PROPERTY TAXES (Continued)**

The amount available as an advance at June 30, 2016, was \$81,139 in the general fund, \$19,302 in the bond retirement fund, and \$7,467 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.

**NOTE 8 – INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. 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 \$904,895 and \$226,224 was credited to the general and non-major governmental funds, respectively, during fiscal year 2016.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2016, consisted of current and delinquent property taxes, income taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>General Fund:</i>	
Miscellaneous amounts due from other governments	\$ 46,050
<i>Non-major Governmental Funds:</i>	
Title VI-B Grant	18,937
Title I Grant	2,311
Title IIA Grant	<u>2,680</u>
Non-major Governmental Funds	<u>23,928</u>
Total Intergovernmental Receivables	<u>\$ 69,978</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 10 - CAPITAL ASSETS**

A summary of the School District's general capital assets for fiscal year 2016 is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 122,820	\$ -	\$ -	\$ 122,820
<i><u>Capital Assets, being depreciated</u></i>				
Land Improvements	1,003,104	24,032	-	1,027,136
Buildings and Improvements	25,538,729	-	-	25,538,729
Furniture, Fixtures and Equipment	2,034,761	53,140	(40,448)	2,047,453
Vehicles	622,576	25,050	-	647,626
Educational Media	272,794	-	-	272,794
Total Depreciable Capital Assets	<u>29,471,964</u>	<u>102,222</u>	<u>(40,448)</u>	<u>29,533,738</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Land Improvements	(114,777)	(54,576)	-	(169,353)
Buildings and Improvements	(1,988,488)	(269,252)	-	(2,257,740)
Furniture, Fixtures and Equipment	(581,962)	(189,980)	-	(771,942)
Vehicles	(306,331)	(18,431)	31,866	(292,896)
Educational Media	(129,700)	(19,694)	-	(149,394)
Total Accumulated Depreciation	<u>(3,121,258)</u>	<u>(551,933) *</u>	<u>31,866</u>	<u>(3,641,325)</u>
<b>Depreciable Capital Assets, Net</b>	<u>26,350,706</u>	<u>(449,711)</u>	<u>(8,582)</u>	<u>25,892,413</u>
<b>Total Capital Assets, Net</b>	<u>\$ 26,473,526</u>	<u>\$ (449,711)</u>	<u>\$ (8,582)</u>	<u>\$ 26,015,233</u>

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

Instruction:	
Regular	\$ 449,358
Special	550
Support Services:	
Instructional support	50,719
Operation and maintenance of plant	8,238
Pupil transportation	15,585
Operation of non-instructional services	9,561
Extracurricular activities	17,922
<b>Total Depreciation Expense</b>	<u>\$ 551,933</u>

**NOTE 11 - RISK MANAGEMENT**

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the School District contracted with the Indiana Insurance Company for property, fleet insurance, liability insurance and inland coverage.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 11 - RISK MANAGEMENT (Continued)**

Coverage limits provided by Indiana Insurance as of June 30, 2016 follows:

Buildings and Contents - replacement cost (\$2,500 deductible)	\$ 40,422,704
Inland Marine Coverage (\$250/\$500 deductible)	480,000
Boiler and Machinery (\$1,000 deductible)	40,422,704
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

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for any part of the last three years.

**Workers' Compensation**

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 **	Eligible to retire on or after August 1, 2017
Full benefits	Age 65 of service credit; or any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

\*\* - Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent; no allocation was made during the year to the Health Care Fund.

The School District's contractually required pension contribution to SERS was \$133,524 for fiscal year 2016; \$27,728 of contributions is reported within intergovernmental payable at June 30, 2016.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2014, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required pension contribution to STRS was \$368,473 for fiscal year 2016; \$61,556 of contributions is reported within intergovernmental payable at June 30, 2016.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 1,646,129	\$ 6,919,594	\$ 8,565,723
Proportion of the net pension liability	0.0288486%	0.02503736%	
Pension expense	\$ 93,094	\$ 243,112	\$ 336,206

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 24,131	\$ 317,529	\$ 341,660
School District contributions subsequent to the measurement date	133,524	368,473	501,997
Total	\$ 157,655	\$ 686,002	\$ 843,657
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 99,634	\$ 537,672	\$ 637,306
School District's change in proportionate share	127,355	230,756	358,111
Total	\$ 226,989	\$ 768,428	\$ 995,417

\$501,997 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (75,170)	\$ (182,639)	\$ (257,809)
2018	(75,170)	(182,639)	(257,809)
2019	(68,231)	(182,637)	(250,868)
2020	15,713	97,016	112,729
	\$ (202,858)	\$ (450,899)	\$ (653,757)

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:



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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 2,282,590	\$ 1,646,129	\$ 1,110,177

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Future salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 9,611,838	\$ 6,919,594	\$ 4,642,900

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 13 – POSTEMPLOYMENT BENEFITS**

***A. School Employee Retirement System***

Plan Description – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

Fund Policy – 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 pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute 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 health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The School District's allocated contributions to the health care fund for the years ended June 30, 2016, 2015 and 2014 were \$0, \$7,178, and \$1,560 respectively; 100% has been contributed for 2015 and 2014, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

***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](http://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 2016 and 2015, STRS Ohio did not allocated any portion of the employer contributions to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal year ended June 30, 2014 was \$26,757; which equaled the required contribution for the year.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 14 – OTHER EMPLOYEE BENEFITS**

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.

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.

**NOTE 15 – CAPITAL LEASE**

During 2011, the School District entered into a lease agreement for a new building, metal roof, geothermal HVAC system, and terrazzo floors. This lease agreement meets the criteria of a capital lease as the risks and benefits of ownership transfers to the leasing party. The capital lease obligation is recorded on the government-wide statements. Principal payments reported in the governmental fund for fiscal year 2016 totaled \$45,000 and are paid out of the permanent improvement fund.

The lease agreement provides for minimum annual rental payments as follows:

Fiscal Year Ended June 30,	
2017	\$ 151,556
2018	150,119
2019	153,475
2020	156,531
2021	155,481
2022-2026	815,460
2027-2031	857,331
2032-2036	995,094
2037-2038	459,338
Total	3,894,385
Less: Amount Representing Interest	(1,814,385)
Present Value of Net Minimum Lease Payments	\$ 2,080,000

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 16 - LONG-TERM OBLIGATIONS**

The activity of the School District's long-term obligations during fiscal year 2016 was as follows:

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016	Due within One Year
General Obligation Bonds:					
2011 QSCB Bonds	\$ 7,910,000	\$ -	\$ -	\$ 7,910,000	\$ -
2015 Refunding Bonds	3,380,000	-	-	3,380,000	-
Bond Premiums	203,317	-	9,918	193,399	-
Total General Obligation Bonds	<u>11,493,317</u>	<u>-</u>	<u>9,918</u>	<u>11,483,399</u>	<u>-</u>
Net Pension Liability:					
STRS	6,378,397	541,197	-	6,919,594	-
SERS	1,628,055	18,074	-	1,646,129	-
Total Net Pension Liability	<u>8,006,452</u>	<u>559,271</u>	<u>-</u>	<u>8,565,723</u>	<u>-</u>
Capital Lease Payable	2,125,000	-	45,000	2,080,000	50,000
Compensated Absences	<u>228,448</u>	<u>21,957</u>	<u>18,697</u>	<u>231,708</u>	<u>32,050</u>
Total Long-Term Obligations	<u>\$ 21,853,217</u>	<u>\$ 581,228</u>	<u>\$ 73,615</u>	<u>\$ 22,360,830</u>	<u>\$ 82,050</u>

**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, 2011. 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:

Calendar Year	Mandatory Sinking Fund Balance
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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

2015 Refunding Bonds

On February 26, 2015, the School District issued \$3,380,000 of Refunding Bonds to provide resources to purchase U.S. Government securities that were placed, along with a portion of the premium received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of \$3,440,000 of the 2011 Build America Bonds. The reacquisition price exceeded the net carrying value of the old debt; this amount is being reported as deferred charge on refunding within the deferred outflows of resources section on the statement of net position and is being amortized over the remaining life of the new debt issued, which is the same as the debt defeased.

The 2015 refunding bonds consisted of \$3,380,000 in current interest bonds with interest rates ranging from 3.25 percent to 4.00 percent and will fully mature on December 1, 2035.

Required Debt Service – General Obligation Bonds

The scheduled payments of principal and interest on general obligation debt outstanding at June 30, 2016 are as follows:

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 605,264	\$ 605,264
2018	-	605,264	605,264
2019	-	605,264	605,264
2020	-	605,264	605,264
2021	-	605,264	605,264
2022-2026	-	3,026,320	3,026,320
2027-2031	9,285,000	784,857	10,069,857
2032-2036	2,005,000	206,100	2,211,100
Total	<u>\$ 11,290,000</u>	<u>\$ 7,043,597</u>	<u>\$ 18,333,597</u>

Legal Debt Margins

At June 30, 2016, the School District's overall legal debt limitation was \$1,053,355 and the un-voted debt margin was \$106,062.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

*Miami Valley Educational Computer Association*

The School District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public 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 \$34,792 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*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 2016, the School District paid \$505,531 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.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA \$1,539 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, Eva Anderson, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. During fiscal year 2016, the School District made disbursements totaling \$979 to the Greene County Career Center.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT**  
**GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**NOTE 18 – 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.

**NOTE 19 - CONTINGENCIES**

Grants

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 subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

Full-Time Equivalency Review

Full-Time Equivalency Review – School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts were required to comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of the of enrollment adjustments to the Foundation funding for the School District for fiscal year 2015 or 2016; however based on information currently available, management does not believe the effects of these reviews will have a material effect on the School District’s financial statement.

Litigation

The School District is not currently party to any legal proceedings.



**CEDAR CLIFF LOCAL SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 21 - SET-ASIDE CALCULATION**

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

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

Set-aside Reserve Balance as of June 30, 2015	\$	-
Current Year Set-aside Requirement		100,678
Current Year Offsets:		
Permanent Improvement Tax Proceeds		(401,382)
Maintenance Fund Tax Proceeds		(43,878)
Excess Carryover from Prior Year		<u>(3,592,529)</u>
Total	\$	<u>(3,937,111)</u>
Balance Carried forward to FY 2017	\$	<u>(3,592,529)</u>
Set-aside Reserve Balance June 30, 2016	\$	<u>-</u>

Although the School District had qualifying disbursements during the year that further reduced the set-aside below zero due to current year offsets, the extra amounts may not be used to reduce the set-aside requirements of future years. As such, there was no need to present information concerning such disbursements.

**NOTE 22 - COMMITMENTS**

**Encumbrances**

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances	
General Fund	\$	20,654
Non-major Governmental Funds		<u>106,376</u>
	\$	<u>127,030</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

Cedar Cliff Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 Last Three Fiscal Years (3)

	2015	2014	2013
<b><u>School Employees Retirement System of Ohio</u></b>			
School District's Proportion of the Net Position Liability	0.0288486%	0.0321690%	0.0321690%
School District's Proportionate Share of the Net Pension Liability	\$ 1,646,129	\$ 1,628,055	\$ 1,912,987
School District's Covered-Employee Payroll	\$ 875,314	\$ 947,279	\$ 1,062,650
School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	188.06%	171.87%	180.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio</u></b>			
School District's Proportion of the Net Position Liability	0.0250374%	0.0262232%	0.0262232%
School District's Proportionate Share of the Net Pension Liability	\$ 6,919,594	\$ 6,378,397	\$ 7,597,905
School District's Covered-Employee Payroll	\$ 2,708,900	\$ 2,640,271	\$ 2,626,986
School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	255.44%	241.58%	289.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Ceder Cliff Local School District  
 Required Supplementary Information  
 Schedule of School District Contributions  
 Last Seven Fiscal Years (1)

	2016	2015	2014	2013	2012	2011	2010
<b><u>School Employees Retirement System of Ohio</u></b>							
Contractually Required Contribution	\$ 133,524	\$ 122,544	\$ 132,619	\$ 148,771	\$ 137,529	\$ 107,884	\$ 115,005
Contributions in Relation to the Contractually Required Contribution	<u>(133,524)</u>	<u>(122,544)</u>	<u>(132,619)</u>	<u>(148,771)</u>	<u>(137,529)</u>	<u>(107,884)</u>	<u>(115,005)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District Covered-Employee Payroll	\$ 953,743	\$ 875,314	\$ 947,279	\$ 1,062,650	\$ 982,350	\$ 770,600	\$ 821,464
Contributions as a Percentage of School District Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<b><u>State Teachers Retirement System of Ohio</u></b>							
Contractually Required Contribution	\$ 368,473	\$ 379,246	\$ 369,638	\$ 367,778	\$ 378,801	\$ 373,967	\$ 344,975
Contributions in Relation to the Contractually Required Contribution	<u>(368,473)</u>	<u>(379,246)</u>	<u>(369,638)</u>	<u>(367,778)</u>	<u>(378,801)</u>	<u>(373,967)</u>	<u>(344,975)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District Covered-Employee Payroll	\$ 2,631,950	\$ 2,708,900	\$ 2,640,271	\$ 2,626,986	\$ 2,705,721	\$ 2,671,193	\$ 2,464,107
Contributions as a Percentage of School District Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) - Information prior to 2010 is not available.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cedar Cliff Local School District, Greene County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2017.

**Internal Controls Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

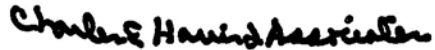
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
December 29, 2017



# Dave Yost • Auditor of State

**CEDAR CLIFF LOCAL SCHOOL DISTRICT**

**GREENE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2018**