



Dave Yost • Auditor of State

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, during 2011, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule for year ended June 30, 2011 provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

May 10, 2012

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Cedar Cliff Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$944,465, which represents a 6.5 percent increase from 2010.
- General revenues accounted for \$7,390,878 in revenue or 86.91 percent of all revenues. Program specific revenues in the form of charges for services and operating grants, interest and contributions, accounted for \$1,112,856 or 13.09 percent of total revenues of \$8,503,734.
- Total assets of governmental activities increased by \$3,863,018 as cash and cash equivalents increased by \$6,804,785, intergovernmental receivable decreased by \$5,289,470, and capital assets increased by \$2,181,803.
- The School District had \$7,559,269 in expenses; only \$1,112,856 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) were \$7,390,878.
- Among major funds, the general fund had \$5,915,396 in revenues and other financing sources and \$5,898,856 in expenditures and other financing uses. The general fund's balance increased \$16,540 from 2010.
- The Bond Retirement debt service fund had \$4,651,492 in revenues and other financing sources and \$4,592,203 in expenditures. The Bond Retirement debt service fund's balance increased \$59,289 from 2010.
- The Locally Funded Initiative capital projects fund had \$2,316,808 in revenues and other financing sources and \$90,147 in expenditures. The Locally Funded Initiative capital projects fund's balance increased \$2,226,661 from 2010.
- The OSFC capital projects fund had \$5,333,699 in revenues and \$1,909,745 in expenditures. The OSFC capital projects fund's balance increased \$3,423,954 from 2010.

Using this General Accepted Accounting Principles Report (GAAP)

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Table 1 Net Assets		
	2011	2010
Assets:		
Current and Other Assets	\$29,927,974	\$28,246,759
Capital Assets, Net	3,511,427	1,329,624
Total Assets	33,439,401	29,576,383
Liabilities:		
Current and Other Liabilities	3,869,677	2,966,869
Long-Term Liabilities	14,102,266	12,086,521
Total Liabilities	17,971,943	15,053,390
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,264,579	1,002,776
Restricted	12,476,302	11,737,011
Unrestricted	1,726,577	1,783,206
Total	\$15,467,458	\$14,522,993

As can be seen by the above table the assets are larger than the liabilities of the School District. During fiscal year 2011, total assets of governmental activities increased by \$3,863,018 as cash and cash equivalents increased by \$6,804,785, intergovernmental receivable decreased by \$5,289,470, and capital assets increased by \$2,181,803. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$56,629.

Table 2 shows the changes in net assets from fiscal year 2010 to fiscal year 2011:

Table 2 Change in Net Assets		
	2011	2010
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$ 474,314	\$ 465,715
Operating Grants, Contributions and Interest	638,542	533,513
Capital Grants and Contributions		11,301,093
Total Program Revenues	1,112,856	12,300,321
General Revenues:		
Property Taxes	2,725,876	2,241,438
Income Taxes	988,340	878,352
Grants and Entitlements	3,459,440	3,033,145
Gifts and Donations	14,136	57,578
Investment Earnings	51,934	6,521
Miscellaneous	87,896	60,266
Premium on Bonds and Notes Issued	63,212	21,563
Proceeds from Sale of Capital Assets	44	900
Total General Revenues	7,390,878	6,299,763
Total Revenues	8,503,734	18,600,084

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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

	<u>2011</u>	<u>2010</u>
Expenses:		
Instruction	3,564,912	3,442,380
Support Services:		
Pupils and Instructional Staff	801,424	919,987
Board of Education, Administration, Fiscal and Business	1,112,482	1,009,311
Operation and Maintenance of Plant	447,642	522,549
Pupil Transportation	264,530	241,133
Central	99,776	23,657
Operation of Non-Instructional Services	153,812	164,391
Extracurricular Activities	260,362	273,009
Capital Outlay	7,319	78,552
Issuance Costs	103,718	144,464
Interest and Fiscal Charges	743,292	
Total Expenses	<u>7,559,269</u>	<u>6,819,433</u>
Increase/(Decrease) in Net Assets	944,465	11,780,651
Beginning Net Assets	<u>14,522,993</u>	<u>2,742,342</u>
Ending Net Assets	<u>\$15,467,458</u>	<u>\$14,522,993</u>

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes and income taxes made up 50.25 percent of general revenues for governmental activities for the Cedar Cliff Local District for fiscal year 2011.

Instruction comprises 47.2 percent of the School District expenses. Support services expenses make up 36.1 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. A comparative analysis of district-wide data from fiscal year 2010 to fiscal year 2011 is being presented, as follows:

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
Instruction	\$3,564,912	\$2,906,749	\$3,442,380	\$2,908,363
Support Services:				
Pupils and Instructional Staff	801,424	635,104	919,987	697,782
Board of Education, Administration, Fiscal and Business	1,112,482	1,112,482	1,009,311	1,009,311
Operation and Maintenance of Plant	447,642	447,642	522,549	522,549
Pupil Transportation	264,530	264,530	241,133	228,580
Central	99,776	90,226	23,657	14,084
Operation of Non-Instructional Services	153,812	994	164,391	16,686
Extracurricular Activities	260,362	134,357	273,009	199,834
Capital Outlay	7,319	7,319	78,552	(11,222,541)
Issuance Costs	103,718	103,718	144,464	144,464
Interest and Fiscal Charges	743,292	743,292		
Total Expenses	<u>\$7,559,269</u>	<u>\$6,446,413</u>	<u>\$6,819,433</u>	<u>(\$5,480,888)</u>

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Almost 81.5 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 85.3 percent. The community, as a whole, is the primary support for the School District.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,698,495 and expenditures of \$13,475,327. The net change in fund balance for the year for all funds increased by \$6,036,424.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2011, the School District amended its general fund budget several times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources estimate was \$6,203,302. The original budgeted estimate was \$5,771,690.

During fiscal year 2011, the School District budgeted \$1,816,955 in property and other taxes, and it actually received \$1,800,162.

Capital Assets

At the end of the fiscal year 2011, the School District had \$3,511,427 invested in land, land improvements, buildings and building improvements, furniture and equipment, vehicles and educational media.

Table 4 shows fiscal 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 122,820	\$ 122,820
Construction in Progress	2,380,916	326,848
Land Improvements	166,063	150,904
Buildings and Improvements	240,443	223,610
Furniture and Equipment	340,966	291,444
Vehicles	238,977	186,127
Educational Media	21,242	27,871
Totals	<u>\$3,511,427</u>	<u>\$1,329,624</u>

Overall capital assets increased \$2,181,803 from fiscal year 2010 to fiscal year 2011.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Debt

At June 30, 2011, the School District's long-term obligations, which include general obligation bonds payable, capital lease, and compensated absences, were \$14,102,266.

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

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

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

Capital lease will be paid by the general fund.

At June 30, 2011, the School District's overall legal debt margin was (\$3,335,534), with an un-voted debt margin of \$89,050.

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

Current Financial Issues and Concerns

The School District is financially stable. The School District is proud of its community support. The voters passed a renewal of the Permanent Improvement Levy in November 2008. The biennium budget of the State for fiscal years 2006-2007 basically gave the School District no increase in state funding for the two years. This coupled with the fact that the past year also showed little increase and the income tax revenue had been declining for several years made it necessary to seek additional dollars from the voters in order to avoid a deficit in fiscal year 2008. The School District had not gone back to the voters for additional operating expenses since 1990. The voters did approve a 4.0 mill five-year operating levy in November of 2006 and renewed it again in November 2010 at the same dollar amount. We are very fortunate to have our community so supportive of our schools. The problem with the state funding has not improved in 2008 or 2009 and the Board will have to make a decision as to renew or replace this emergency levy in the next round. The picture looks grim for the FY12-13 biennium too as both the State and Federal governments are struggling with deficits. The School District has asked the voters for money only when absolutely needed, and the voters have never failed an operating levy. The Board did put on a combination 8.5 mills plus .25 percent income tax bond issue for 28 years in partnership with OSFC. The School District's share is 48 percent and the state's share is 52 percent of the total cost of the approved project with the School District also picking up the costs of the Local Funded Indicatives. The voters approved the issue in November, 2009.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

In comparison to other school districts in the State, the School District would not be considered a school district of low wealth. The School District's growth in State revenue is dependent on per pupil amount, enrollment, and property wealth. The School District is no longer considered a formula district and has seen that source of revenue placed "on the guarantee". That means that the state will provide the same amount of dollars as the previous fiscal year. However, the State because of tough economic times has lowered the "guarantee" to 99 percent in the 2010 and 98 percent in 2011.

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

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

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

Contacting the 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, Post Office Box 45, Cedarville, Ohio 45314 or email at jkitzmiller@ccliff.org.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$21,549,966
Cash and Cash Equivalents with Fiscal Agents	69
Materials and Supplies Inventory	2,471
Accrued Interest Receivable	246
Accounts Receivable	6,450
Intergovernmental Receivable	5,469,918
Prepaid Items	15,705
Taxes Receivable	2,416,804
Income Taxes Receivable	466,345
Capital Assets:	
Non-Depreciable Capital Assets	2,503,736
Depreciable Capital Assets, net	1,007,691
Total Assets	<u>33,439,401</u>
Liabilities:	
Accounts Payable	10,928
Accrued Wages and Benefits	482,927
Contracts Payable	1,012,490
Intergovernmental Payable	166,654
Matured Compensated Absences Payable	14,321
Unearned Revenue	2,182,357
Long-Term Liabilities:	
Due Within One Year	70,000
Due in More Than One Year	14,032,266
Total Liabilities	<u>17,971,943</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,264,579
Restricted for:	
Debt Service	376,342
Capital Projects	12,039,067
Other Purposes	60,893
Unrestricted	1,726,577
Total Net Assets	<u><u>\$15,467,458</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Revenues</u>		<u>Net(Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Total Governmental Activities</u>	
Governmental Activities:				
Instruction:				
Regular	\$2,596,215	\$250,395	\$258,723	(\$2,087,097)
Special	579,053		142,625	(436,428)
Vocational	3,230		6,420	3,190
Student Intervention Services	18,063			(18,063)
Other	368,351			(368,351)
Support Services:				
Pupils	447,182			(447,182)
Instructional Staff	354,242		166,320	(187,922)
Board of Education	30,704			(30,704)
Administration	748,904			(748,904)
Fiscal	329,743			(329,743)
Business	3,131			(3,131)
Operation and Maintenance of Plant	447,642			(447,642)
Pupil Transportation	264,530			(264,530)
Central	99,776		9,550	(90,226)
Operation of Non-Instructional Services	153,812	97,914	54,904	(994)
Extracurricular Activities	260,362	126,005		(134,357)
Capital Outlay	7,319			(7,319)
Debt Service:				
Issuance Costs	103,718			(103,718)
Interest and Fiscal Charges	743,292			(743,292)
Totals	\$7,559,269	\$474,314	\$638,542	(6,446,413)

General Revenues:

Property Taxes Levied for:

General Purposes	1,916,249
Capital Outlay	206,830
Debt Service	602,797
Income Taxes Levied for General Purposes	988,340
Grants and Entitlements not Restricted to Specific Programs	3,459,440
Gifts and Donations	14,136
Investment Earnings	51,934
Miscellaneous	87,896
Premium on Bonds and Notes Issued	63,212
Proceeds from Sale of Capital Assets	44
Total General Revenues	7,390,878
Change in Net Assets	944,465
Net Assets Beginning of Year	14,522,993
Net Assets End of Year	\$15,467,458

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Locally Funded Initiative Building Fund	OSFC Grant	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$2,210,333	\$323,986	\$3,479,739	\$15,108,779	\$427,129	\$21,549,966
Cash and Cash Equivalents with Fiscal Agents					69	69
Materials and Supplies Inventory					2,471	2,471
Accrued Interest Receivable	197				49	246
Accounts Receivable	5,758				692	6,450
Intergovernmental Receivable				5,427,241	42,677	5,469,918
Prepaid Items	10,065			5,640		15,705
Taxes Receivable	1,691,173	549,647			175,984	2,416,804
Income Taxes Receivable	373,076				93,269	466,345
Total Assets	<u>4,290,602</u>	<u>873,633</u>	<u>3,479,739</u>	<u>20,541,660</u>	<u>742,340</u>	<u>29,927,974</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	38			10,825	65	10,928
Accrued Wages and Benefits	415,201				67,726	482,927
Contracts Payable			1,423	1,011,067		1,012,490
Intergovernmental Payable	148,565				18,089	166,654
Matured Compensated Absences Payable	14,321					14,321
Deferred Revenue	1,617,810	508,616		5,427,241	181,875	7,735,542
	<u>2,195,935</u>	<u>508,616</u>	<u>1,423</u>	<u>6,449,133</u>	<u>267,755</u>	<u>9,422,862</u>
Fund Balances:						
Non-spendable	10,065			5,640	2,471	18,176
Restricted		365,017	3,478,316	14,086,887	472,114	18,402,334
Assigned	34,499					34,499
Unassigned	2,050,103					2,050,103
Total Fund Balances	<u>2,094,667</u>	<u>365,017</u>	<u>3,478,316</u>	<u>14,092,527</u>	<u>474,585</u>	<u>20,505,112</u>
Total Liabilities and Fund Balances	<u>\$4,290,602</u>	<u>\$873,633</u>	<u>\$3,479,739</u>	<u>\$20,541,660</u>	<u>\$742,340</u>	<u>\$29,927,974</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances \$20,505,112

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 3,511,427

Taxes and Intergovernmental Receivable that do not provide financial resource are not reported as revenues in governmental fund. 5,553,185

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

Capital Lease Payable	(\$2,310,000)	
Compensated Absences Payable	(442,266)	
General Obligation Bonds Payable	<u>(11,350,000)</u>	
		<u>(14,102,266)</u>

Net Assets of Governmental Activities \$15,467,458

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Locally Funded Initiative Building Fund	OSFC Grant	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Local Taxes	\$1,885,839	\$592,813			\$203,440	\$2,682,092
Income Taxes	749,564				232,774	982,338
Intergovernmental	2,870,397	572,561		\$5,298,281	664,546	9,405,785
Interest	9,539		\$6,808	35,418	169	51,934
Tuition and Fees	249,910					249,910
Rent	485					485
Extracurricular Activities	53,434				72,571	126,005
Gifts and Donations	8,941				5,195	14,136
Customer Sales and Services					97,914	97,914
Miscellaneous	87,243				653	87,896
Total Revenues	<u>5,915,352</u>	<u>1,165,374</u>	<u>6,808</u>	<u>5,333,699</u>	<u>1,277,262</u>	<u>13,698,495</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,335,094				279,729	2,614,823
Special	437,374				138,358	575,732
Vocational	5,557				836	6,393
Student Intervention Services	18,063					18,063
Other	355,305				13,046	368,351
Support Services:						
Pupils	444,007					444,007
Instructional Staff	184,401				160,437	344,838
Board of Education	30,283					30,283
Administration	664,165					664,165
Fiscal	326,929	10,342			6,304	343,575
Business	3,131					3,131
Operation and Maintenance of Plant	456,888				40,650	497,538
Pupil Transportation	232,948				80,085	313,033
Central	88,714				11,062	99,776
Operation of Non-Instructional Services:						
Extracurricular Activities	190,242				147,833	147,833
Capital Outlay	61,495		90,147	1,909,745	75,147	2,061,387
Debt Service:						
Principal		3,830,000				3,830,000
Interest	18,142	707,008			18,142	743,292
Issuance Costs		44,853			58,865	103,718
Total Expenditures	<u>5,852,738</u>	<u>4,592,203</u>	<u>90,147</u>	<u>1,909,745</u>	<u>1,030,494</u>	<u>13,475,327</u>
Excess of Revenues Over (Under) Expenditures	<u>62,614</u>	<u>(3,426,829)</u>	<u>(83,339)</u>	<u>3,423,954</u>	<u>246,768</u>	<u>223,168</u>
Other Financing Sources and Uses:						
Transfers In		46,118				46,118
General Obligation Bonds Issued		3,440,000				3,440,000
Premium on Bonds and Notes Issued					63,212	63,212
Proceeds from Sale of Capital Assets	44					44
Inception of Capital Lease			2,310,000			2,310,000
Transfers Out	(46,118)					(46,118)
Total Other Financing Sources and Uses	<u>(46,074)</u>	<u>3,486,118</u>	<u>2,310,000</u>	<u>3,423,954</u>	<u>63,212</u>	<u>5,813,256</u>
Net Change in Fund Balances	16,540	59,289	2,226,661	3,423,954	309,980	6,036,424
Fund Balance (Deficit) at Beginning of Year	2,078,127	305,728	1,251,655	10,668,573	164,605	14,468,688
Fund Balance (Deficit) at End of Year	<u>\$2,094,667</u>	<u>\$365,017</u>	<u>\$3,478,316</u>	<u>\$14,092,527</u>	<u>\$474,585</u>	<u>\$20,505,112</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds		\$6,036,424
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlay - Depreciable Capital Assets	\$2,330,743	
Depreciation	<u>(114,449)</u>	2,216,294
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.</p>		
Gain (Loss) on Disposal of Capital Assets		(34,491)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	(5,307,803)	
Tuition and Fees		
Income Taxes	6,002	
Delinquent Property Taxes	<u>43,784</u>	(5,258,017)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		3,830,000
<p>Proceeds from Bonds and Notes</p>		
		(3,440,000)
<p>Inception of Capital Lease</p>		
		(2,310,000)
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable	<u>(95,745)</u>	
		<u>(95,745)</u>
Change in Net Assets of Governmental Activities		<u><u>944,465</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$1,550,700	\$1,816,955	\$1,800,162	(\$16,793)
Income Tax	795,698	795,698	751,023	(44,675)
Intergovernmental	3,050,765	2,856,122	2,870,397	14,275
Interest	5,000	5,000	9,750	4,750
Tuition and Fees	283,209	243,209	248,588	5,379
Rent	500	500	485	(15)
Extracurricular Activities	65,418	65,418	52,927	(12,491)
Gifts and Donations	4,300	4,300	8,941	4,641
Miscellaneous	15,100	15,100	73,740	58,640
Total Revenues	<u>5,770,690</u>	<u>5,802,302</u>	<u>5,816,013</u>	<u>13,711</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,597,551	2,381,711	2,323,524	58,187
Special	452,210	466,946	442,481	24,465
Vocational	5,550	5,550	5,557	(7)
Student Intervention Services	33,721	33,590	18,063	15,527
Other	398,505	373,505	355,296	18,209
Support Services:				
Pupils	503,717	467,097	443,599	23,498
Instructional Staff	250,814	190,617	196,492	(5,875)
Board of Education	45,926	45,416	30,277	15,139
Administration	636,108	689,482	670,901	18,581
Fiscal	302,680	309,947	329,766	(19,819)
Business	500	500	3,131	(2,631)
Operation and Maintenance of Plant	530,000	541,161	478,282	62,879
Pupil Transportation	261,391	257,385	222,599	34,786
Central	5,300	83,569	79,396	4,173
Extracurricular Activities	173,504	199,157	190,941	8,216
Capital Outlay	25,250	41,568	68,775	(27,207)
Total Expenditures	<u>6,222,727</u>	<u>6,087,201</u>	<u>5,859,080</u>	<u>228,121</u>
Excess of Revenues Over (Under) Expenditures	<u>(452,037)</u>	<u>(284,899)</u>	<u>(43,067)</u>	<u>241,832</u>
Other Financing Sources and Uses:				
Transfers In		400,000		(400,000)
Proceeds from Sale of Capital Assets	1,000	1,000	44	(956)
Refund of Prior Year Expenditures			10,155	10,155
Transfers Out	(20,000)	(506,069)	(46,118)	459,951
Total Other Financing Sources and Uses	<u>(19,000)</u>	<u>(105,069)</u>	<u>(35,919)</u>	<u>69,150</u>
Net Change in Fund Balances	<u>(471,037)</u>	<u>(389,968)</u>	<u>(78,986)</u>	<u>310,982</u>
Fund Balance (Deficit) at Beginning of Year	2,236,451	2,236,451	2,236,451	
Prior Year Encumbrances Appropriated	40,434	40,434	40,434	
Fund Balance (Deficit) at End of Year	<u>\$1,805,848</u>	<u>\$1,886,917</u>	<u>\$2,197,899</u>	<u>\$310,982</u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$18,565	\$32,711
Total Assets	<u>18,565</u>	<u>32,711</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		10,876
Due to Students		21,835
Total Liabilities		<u>32,711</u>
Net Assets:		
Held in Trust for Scholarships	18,565	
Total Net Assets	<u><u>\$18,565</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$12,509
Total Additions	<u>12,509</u>
Deductions:	
Payments in Accordance with Trust Agreements	800
Total Deductions	<u>800</u>
Change in Net Assets	11,709
Net Assets Beginning of Year	<u>6,856</u>
Net Assets End of Year	<u><u>\$18,565</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 30 noncertified employees, 43 certified full time teaching personnel, including 4 administrators, who provide services to 653 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 insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. Governmental Funds:

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Locally Funded Initiative Fund – The Locally Funded Initiative Fund is used to account for the revenues and expenditures related to the purchase of land and the local share of expenditures for the new school building.

Ohio School Facilities Commission (OSFC) Grant Fund - The OSFC Grant Fund is used to account for revenues and expenditures related to the construction of new school buildings.

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

2. Fiduciary Fund Types:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements:

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures:

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

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

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents." During fiscal year 2011, the School District had investments in a money market account, federal agency investments, and negotiable certificates of deposit.

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 2011 amounted to \$9,539, which includes \$1,526 assigned from other funds.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Assets/Liabilities

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

H. Inventory of Supplies and Materials

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

I. Capital Assets and Depreciation

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Interfund Transactions

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

M. Fund Balance

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

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

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the 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 Board of Education.

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

N. Net Assets

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

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

O. Estimates

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. ACCOUNTABILITY

At June 30, 2011, the EMIS, the Misc Federal, Fiscal Stabilization, and Title I special revenue funds had deficit fund balances of \$10,014, \$126, \$29,983 and \$1,095, respectively. The general fund provides transfers to cover the deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$16,540
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2010, Received In Cash FY 2011	363,210
Accrued FY 2011, Not Yet Received in Cash	(462,549)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(561,969)
Accrued FY 2011, Not Yet Paid in Cash	578,215
Encumbrances Outstanding at Year End (Budget Basis)	(12,433)
Budget Basis	(\$78,986)

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$16,622,811 of the School District's bank balance of \$18,532,011 was exposed to custodial credit risk because it was uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

B. Investments

At June 30, 2011, the School District's investments consisted of Federal Home Loan Bank Bonds valued at \$3,099,430. The weighted average maturity of the School District's investments is 1.53 years.

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Less Than One Year</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$3,099,430	\$1,899,259	\$700,126	\$500,045

Interest Rate Risk: The School 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 School 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 were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. The School District's investment policy limits investments to those authorized by State statute.

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property tax) represents the collection of 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value listed as of December 31, 2010. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. This was reduced to zero percent for 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Greene County and Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$128,707 in the General Fund, \$41,031 in the Debt Service Fund, and \$13,998 in the Permanent Improvement Capital Projects Fund.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$87,364,140	95.44%	\$84,718,460	95.13%
Tangible Personal Property	4,175,890	4.56%	4,334,460	4.87%
Total Assessed Value	<u>\$91,540,030</u>	<u>100.00%</u>	<u>\$89,052,920</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.85		\$38.85	

7. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. The School District's residents also approved a .25% income tax for capital projects purposes in November 2009 with an effective date of January 2010. The School District authorized an annual portion of the .25% income tax to be earmarked to satisfy the maintenance of completed facilities in the Maintenance Fund. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$749,564 and \$232,774 was credited to the general fund and other governmental funds, respectively, during fiscal year 2011.

8. RECEIVABLES

Receivables at June 30, 2011, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and accrued interest. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Non-major Funds:	
Title IDEA	\$ 28,906
Title I	13,771
Ohio School Facilities Commission	<u>5,427,241</u>
Total Intergovernmental Receivables	<u>\$5,469,918</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Capital Assets, not Being Depreciated:				
Land	\$ 122,820			\$ 122,820
Construction in Progress	326,848	\$2,054,068		2,380,916
Total Capital Assets, not Being Depreciated	449,668	2,054,068		2,503,736
Capital Assets, Being Depreciated				
Land Improvements	396,119	24,961		421,080
Buildings and Building Improvements	1,832,212	38,185		1,870,397
Furniture, Fixtures, and Equipment	1,182,226	125,658	\$57,625	1,250,259
Vehicles	546,118	87,871	52,930	581,059
Educational Media	119,614			119,614
Total Capital Assets, Being Depreciated	4,076,289	276,675	110,555	4,242,409
Less Accumulated Depreciation				
Land Improvements	245,215	9,802		255,017
Buildings and Building Improvements	1,608,602	21,352		1,629,954
Furniture, Fixtures, and Equipment	890,782	46,938	28,427	909,293
Vehicles	359,991	29,728	47,637	342,082
Educational Media	91,743	6,629		98,372
Total Accumulated Depreciation	3,196,333	114,449	76,064	3,234,718
Capital Assets, Being Depreciated Net	879,956	162,226	34,491	1,007,691
Governmental Activities Capital Assets, Net	\$1,329,624	\$2,216,294	\$34,491	\$3,511,427

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$54,616
Special	396
Vocational	332
Support Services:	
Pupils	526
Instructional Staff	542
Board of Education	421
Administration	5,288
Fiscal	1,559
Operation and Maintenance	14,618
Pupil Transportation	30,388
Operation of Non-Instructional Services	3,826
Extracurricular	1,937
Total Depreciation Expense	\$114,449

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Indiana Insurance Company for property, fleet insurance, liability insurance and inland coverage.

Coverage provided by Indiana Insurance is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$18,183,000
Inland Marine Coverage (\$250/\$500 deductible)	351,569
Boiler and Machinery (\$1,000 deductible)	18,183,000
Monies and Securities	10,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability Per Occurrence	1,000,000
Aggregate	2,000,000
Umbrella	3,000,000

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

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$107,884, \$115,005, and \$87,924, respectively, which equaled the required contributions for each year.

B. State Teachers Retirement System

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

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$373,967, \$344,975, and \$340,224; 82.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board are with SERS.

12. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

SERS administers two postemployment benefit plans:

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,942, \$6,839 and \$5,897, respectively, which equaled the required contributions each year.

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

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,069, \$4,139 and \$60,431, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$28,767, \$26,537 and \$26,171, respectively; 82.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for classified staff and 240 days for certified staff. Upon retirement, payment is made for one fourth of accrued, but unused sick leave credit to a maximum of 60 days for all certified employees and 52 days for classified employees.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

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

14. CAPITAL LEASES

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

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

No principal payments were required to be made in fiscal year 2011. The capital leases payable have been recorded on the government-wide statements. The agreements provide for minimum annual rental payments as follows:

Year	Lease Payments
2012	\$ 176,369
2013	140,319
2014	144,569
2015	143,769
2016	147,806
2017	151,556
2018	150,119
2019	153,475
2020	156,531
2021	110,481
2022	110,481
2023	105,481
2024	110,481
2025	163,775
2026	165,241
2027	166,463
2028	167,441
2029	172,934
2030	172,938
2031	177,556
2032	176,791
2033	180,484
2034	183,497
2035	224,897
2036	229,425
2037	228,150
2038	231,188
Total Payments	4,442,217
Less: Amount Representing Interest	(2,132,217)
Present Value of Net Minimum Lease Payments	\$2,310,000

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amount Due in One Year
QSCB Bond Issue 2010	\$7,910,000			\$7,910,000	
Build America Bonds 2010		\$3,440,000		3,440,000	
Bond Anticipation Note	3,830,000		\$3,830,000		
Capital Leases		2,310,000		2,310,000	\$70,000
Compensated Absences	346,521	95,745		442,266	
Total	\$12,086,521	\$5,845,745	\$3,830,000	\$14,102,266	\$70,000

Qualified School Construction Bonds

Proceeds from the bonds will be used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities. These bonds were issued on April 15, 2010. The bonds consisted of \$7,910,000 in current bonds with an interest rate of 6.04 percent. The bonds are not subject to mandatory sinking fund redemption, the School District has agreed to make deposits annually on December 1 of each year, into a sinking fund account to be held by the Paying Agent for payment of the principal amount of the bonds at maturity. 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:

Year	Mandatory Sinking Fund Balance
2011	\$ 424,373
2012	857,232
2013	1,298,750
2014	1,749,097
2015	2,208,452
2016	2,676,993
2017	3,154,905
2018	3,642,376
2019	4,139,596
2020	4,646,760
2021	5,164,068
2022	5,691,722
2023	6,229,929
2024	6,778,900
2025	7,338,850
2026	7,910,000

Build America Bonds

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Bond Anticipation Note

In March 2010, the School District issued a bond anticipation note in the amount of \$3,830,000. The note was retired on September 1, 2010.

Capital lease will be paid by the general fund.

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

At June 30, 2011, the School District's overall legal debt limitation was (\$3,335,534), and the unvoted debt margin was \$89,050.

The scheduled payments of principal and interest on debt outstanding at June 30, 2011 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2012		\$ 680,875	\$ 680,875
2013		680,875	680,875
2014		680,875	680,875
2015		680,875	680,875
2016		680,875	680,875
2017 – 2021		3,404,375	3,404,375
2022 – 2026		3,404,375	3,404,375
2027 – 2031	\$ 9,300,000	1,096,269	10,396,269
2032 - 2036	2,050,000	314,657	2,364,657
Total	<u>\$11,350,000</u>	<u>\$11,624,051</u>	<u>\$22,974,051</u>

The bonds are being retired through the Bond Retirement Fund.

16. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA) - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$21,279 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to SOEPC are made from the general fund. During fiscal year 2011, the School District paid \$536,050 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA \$756 for services provided during the year. To obtain financial information, write to Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Greene County Career Center - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. The Cedar Cliff Local School District did not contribute any money to the Greene County Career Center during the 2011 fiscal year.

17. INSURANCE PURCHASING POOL

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

18. SET-ASIDE CALCULATIONS

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

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. SET-ASIDE CALCULATIONS (Continued)

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2010		
Current Year Set-aside Requirement	\$ 93,655	\$ 93,655
Carryover from Prior Year	(325,161)	(1,308,222)
Qualifying Disbursements	(182,200)	(67,962)
Offsets – COPS Proceeds		(2,310,000)
Offsets – OSFC Income Tax Proceeds		(43,848)
Offsets – LFI Income Tax Proceeds		(109,493)
Set-aside Reserve Balance as of June 30, 2011	(413,706)	(\$3,745,870)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$413,706)	(\$3,592,529)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and instructional materials and capital acquisitions amounts below zero. This extra amount of textbooks qualifying expenditures may be used to reduce the set-aside requirements in future fiscal years. For, the capital acquisition set-aside, the debt proceeds can also be carried forward.

19. INTERFUND ASSETS/LIABILITIES

The general fund transferred \$46,118 to the bond retirement a major debt service fund.

20. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2011.

21. CONTRACTUAL COMMITMENTS

As of June 30, 2011, the School District had the following contractual purchase commitments:

Company	Amount Remaining
Peterson Construction	\$12,367,102
Cincinnati Dayton Fire Protection, Inc.	241,003
Hobbs Industrial Piping, Inc.	798,262
Starco, Inc.	3,980,000
Chapel Electric	2,466,198
Garmann/Miller & Associates	294,168
Stan and Associates, Inc.	45,888
Shook Touchstone, LLC	918,704
Total	\$21,111,325

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

22. CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2011, the School District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned. The statement also requires certain funds to be included with the General fund.

The fund balance restatements are as follows:

	General Fund	Bond Retirement	Locally Funded Initiative Building Fund	OFSC Grant Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$2,061,436	\$305,728	\$1,251,655	\$10,668,573	\$181,296
Reclassify Funds	16,691				(16,691)
Restated Fund Balance, June 30, 2010	<u>\$2,078,127</u>	<u>\$305,728</u>	<u>\$1,251,655</u>	<u>\$10,668,573</u>	<u>\$164,605</u>

23. FUND BALANCE

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

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

Fund Balance	General Fund	Bond Retirement	Locally Funded Initiative Building Fund	OFSC Grand Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable for:						
Prepaid Items	\$ 10,065			\$ 5,640		\$ 15,705
Materials & Supplies					\$ 2,471	2,471
Total Non-spendable	10,065			5,640	2,471	18,176
Restricted for:						
Regular Instruction					(29,983)	(29,983)
Special Instruction					5,836	5,836
Central					(10,014)	(10,014)
Athletics					23,309	23,309
Food Service Operations					3,219	3,219
Facilities Maintenance					43,311	43,311
Debt Retirement		\$365,017				365,017
Permanent Improvements					436,436	436,436
Building Construction			\$3,478,316	14,086,887		17,565,203
Total Restricted		365,017	3,478,316	14,086,887	472,114	18,402,334
Assigned for:						
Emergency Levy	2,110					2,110
Public School Support	19,995					19,995
Encumbrances	12,394					12,394
Total Assigned	34,499					34,499
Unassigned	2,050,103					2,050,103
Total Fund Balance	<u>\$2,094,667</u>	<u>\$365,017</u>	<u>\$3,478,316</u>	<u>\$14,092,527</u>	<u>\$474,585</u>	<u>\$20,505,112</u>

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$16,423		\$16,423
Cash Assistance:					
School Breakfast Program	10.553	\$2,542		\$2,542	
National School Lunch Program	10.555	35,023		35,023	
Total Child Nutrition Cluster		<u>37,565</u>	<u>16,423</u>	<u>37,565</u>	<u>16,423</u>
Total U.S. Department of Agriculture		<u>37,565</u>	<u>16,423</u>	<u>37,565</u>	<u>16,423</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Cluster:					
Title I Grants to Local Educational Agencies	84.010	72,754		72,755	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	16,932		16,955	
Total Title I Cluster		<u>89,686</u>		<u>89,710</u>	
Special Education Cluster:					
Special Education_Grants to States	84.027	111,680		112,476	
ARRA - Special Education Grants to States, Recovery Act	84.391	91,942		91,946	
Total Special Education Grants to States		<u>203,622</u>		<u>204,422</u>	
<i>Passed Through Greene County Educational Service Center</i>					
Special Education_Grants to States	84.027	836		836	
Special Education_Preschool Grants	84.173	674		674	
Total Special Education Cluster		<u>205,132</u>		<u>205,932</u>	
Fund for the Improvement of Education	84.215	3,167		3,167	
<i>Passed Through Ohio Department of Education</i>					
Education Technology State Grants	84.318	185		185	
Improving Teacher Quality State Grants	84.367	30,651		30,671	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	217,879		217,879	
Total U.S. Department of Education		<u>546,700</u>		<u>547,544</u>	
Total		<u>\$584,265</u>	<u>\$16,423</u>	<u>\$585,109</u>	<u>\$16,423</u>

See accompanying notes to the Federal Awards Receipts and Expenditures.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Cedar Cliff Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Cliff Local School District, Greene County, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 10, 2012, wherein we noted that the School District adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated May 10, 2012.

We intend this report solely for the information and use of management, audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

May 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Cedar Cliff Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Cedar Cliff Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, audit committee, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

May 10, 2012

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA): Special Education Grants to States, CFDA #84.027 Special Education Preschool Grants, CFDA #84.173 ARRA – Special Education Grants to States, CFDA #84.391 ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

MATERIAL WEAKNESS

Financial Statement Errors

The School District's fiscal year 2011 financial statements contained various errors. The following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements:

- The School District entered into an agreement with the Ohio School Facilities Commission (OSFC) in April 2010 for a building project. However, the School District did not book a receivable on the 2011 financial statements for the State's share of the project. At June 30, 2011, intergovernmental receivable and deferred revenue was understated by \$5,427,241 in the OSFC Fund; and on the entity wide statements, intergovernmental receivable was understated by \$5,427,241 and intergovernmental revenue was overstated by \$5,298,281.
- The School District calculated invested in capital assets, net of related debt incorrectly for fiscal year 2011 because net capital assets were reduced by debt proceeds that had not been spent. Unspent debt proceeds should not reduce the net capital asset amount. At June 30, 2011, invested in capital assets, net of related debt was understated and restricted for capital projects was overstated by \$11,363,150.

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

- The School District adopted a change in accounting principle during fiscal year 2011 relating to the capital asset threshold. The School District increased the capital asset threshold from \$1,000 to \$5,000. This change would have required the School District to restate its beginning capital asset balances to reflect the new capital asset threshold; however, the beginning capital asset balance was not restated. Capital assets with a cost of \$484,002 and accumulated depreciation of \$327,659 were on the School District's books and financial statements as of July 1, 2010, that did not meet the modified capital asset threshold. The School District also included \$83,345 in fiscal year 2011 additions that did not meet the new \$5,000 capital asset threshold. Additionally, depreciation expense in the amount of \$31,017 related to capital assets that did not meet the \$5,000 capital asset threshold was booked and included on the fiscal year 2011 financial statements.
- The General Fund budgetary statement original appropriations for fiscal year 2011 were overstated by \$62,528.
- The School District failed to record a contract payable and the corresponding expenditure on the fiscal year 2011 financial statements in the amount of \$81,217 in the OSFC Fund. Additionally, this liability should have been recorded as construction in progress because it dealt with the building project; therefore, understating capital assets by \$81,217.

Failure to properly record financial activity on the School District's financial statements allows for financial statements to be misleading and had resulted in audit adjustments to be made for those errors which were identified as being materially misstated. The School District should ensure that policies and procedures are in place to properly record all financial activity on the annual financial statements. A review system should also be in place to identify and correct any significant errors that occur during the financial statement compilation process.

Officials Response: We did not receive a response from officials.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Financial Statement Errors	No	Repeated – Finding 2011-001



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Cedar Cliff Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 25, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Dave Yost
Auditor of State

May 10, 2012

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CEDAR CLIFF LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2012**