



Mary Taylor, CPA  
Auditor of State



**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cambridge City School District  
Guernsey County  
6111 Fairdale Road  
Cambridge, Ohio 43725

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 the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2008, 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 the Cambridge City School District, Guernsey County, Ohio, as of and for the year ended June 30, 2008, and the respective changes in financial position and where applicable, cash flows, 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 discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on February 16, 2006 due to a projected General Fund deficit. Note 21 to the financial statements describes management's plans to address the projected General Fund deficit.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by 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. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 25, 2009

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
Unaudited

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The discussion and analysis of the Cambridge City School District's ( the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities increased \$236,781.
- General revenues accounted for \$18,627,713 in revenue or 75% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$6,367,181 or 25% of total revenues of \$24,994,894.
- The School District had \$24,758,113 in expenses related to governmental activities; only \$6,367,181 of these expenses were offset by program specific charges for services, grants or contributions and interest.

**Using this Annual Financial Report**

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 and conditions.

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.

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" 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.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
Unaudited

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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, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple 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 and Bond Retirement Debt Service 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 fiscal year end available for spending in 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 governmental 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.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

**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 2008 compared to 2007.

(Table 1)  
 Net Assets

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$14,501,788	\$12,908,037	\$1,593,751
Capital Assets, Net	43,303,315	44,365,146	(1,061,831)
<i>Total Assets</i>	57,805,103	57,273,183	531,920
<b>Liabilities</b>			
Current and Other Liabilities	7,771,476	7,137,585	633,891
Long-Term Liabilities			
Due Within One Year	419,231	466,507	(47,276)
Due in More Than One Year	7,404,020	7,695,496	(291,476)
<i>Total Liabilities</i>	15,594,727	15,299,588	295,139
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	37,125,636	37,970,306	(844,670)
Restricted	4,163,822	4,232,647	(68,825)
Unrestricted (Deficit)	920,918	(229,358)	1,150,276
<i>Total Net Assets</i>	\$42,210,376	\$41,973,595	\$236,781

Total assets increased \$531,920. This is mainly attributed to an increase in cash and cash equivalents of \$748,809. In addition, property taxes receivable increased \$703,421. These increases were offset by a decrease in depreciable capital assets, net of depreciation, of \$1,061,831. Total liabilities increased \$295,139. The largest increase was \$286,000 in claims payable. The increase in claims payable is largely attributed to catastrophic illnesses of a few of the covered members. Increases to current liabilities were offset by a decrease in long-term liabilities. This decrease is largely attributable to bond payments made during fiscal year 2008 in the amount of \$390,000.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, compared to June 30, 2007.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

(Table 2)  
 Changes in Net Assets

	Governmental Activities		Change
	2008	2007	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,345,818	\$1,338,049	\$7,769
Operating Grants, Contributions and Interest	4,999,017	5,291,941	(292,924)
Capital Grants and Contributions	22,346	18,370	3,976
Total Program Revenues	<u>6,367,181</u>	<u>6,648,360</u>	<u>(281,179)</u>
General Revenues			
Property Taxes	6,660,731	4,672,641	1,988,090
Grants and Entitlements	11,672,356	11,417,306	255,050
Gifts and Donations	5,030	0	5,030
Interest	243,088	227,556	15,532
Miscellaneous	46,508	68,268	(21,760)
Total General Revenues	<u>18,627,713</u>	<u>16,385,771</u>	<u>2,241,942</u>
Total Revenues	<u>24,994,894</u>	<u>23,034,131</u>	<u>1,960,763</u>
<b>Program Expenses</b>			
Instruction:			
Regular	11,574,480	10,953,797	620,683
Special	2,391,606	2,496,314	(104,708)
Vocational	151,508	101,408	50,100
Intervention	236,549	251,543	(14,994)
Support Services:			
Pupils	936,359	955,370	(19,011)
Instructional Staff	1,152,896	1,070,432	82,464
Board of Education	34,550	62,450	(27,900)
Administration	1,658,115	1,468,673	189,442
Fiscal	533,240	521,555	11,685
Business	134,860	221,434	(86,574)
Operation and Maintenance of Plant	2,336,714	2,230,148	106,566
Pupil Transportation	1,154,934	1,052,013	102,921
Central	171,200	172,605	(1,405)
Operation of Non-Instructional Services:			
Food Service Operations	1,341,792	1,294,585	47,207
Other Non-Instructional Services	102,928	104,531	(1,603)
Extracurricular Activities	508,873	513,169	(4,296)
Interest and Fiscal Charges	337,509	327,073	10,436
Total Expenses	<u>24,758,113</u>	<u>23,797,100</u>	<u>961,013</u>
Change in Net Assets	236,781	(762,969)	999,750
Net Assets Beginning of Year	<u>41,973,595</u>	<u>42,736,564</u>	<u>(762,969)</u>
Net Assets End of Year	<u>\$42,210,376</u>	<u>\$41,973,595</u>	<u>\$236,781</u>

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

Property taxes made up approximately 36 percent of general revenues for governmental activities for Cambridge City School District. Of the remaining revenues, the School District receives 63 percent from state foundation and federal and state grants, and 1 percent from gifts and donations, interest, and miscellaneous receipts. The School District experienced an increase in property taxes from fiscal year 2007 to fiscal year 2008. The School District received a tax advance during fiscal year 2006, causing fiscal year 2007 property tax revenue to be lower than usual. Therefore, the School District saw an increase of tax revenue from fiscal year 2007 to fiscal year 2008 as a result of the previous advance.

58 percent of the School District's budget is used to fund instructional expenses. Support services make up 33 percent of expenses and 9 percent is used for interest and fiscal charges, extracurricular activities, and non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
<b>Program Expenses</b>				
Instruction:				
Regular	\$11,574,480	\$9,954,916	\$10,953,797	\$9,299,078
Special	2,391,606	642,400	2,496,314	604,836
Vocational	151,508	9,503	101,408	(12,843)
Intervention	236,549	133,705	251,543	233,157
Support Services:				
Pupils	936,359	887,174	955,370	811,219
Instructional Staff	1,152,896	276,519	1,070,432	117,086
Board of Education	34,550	24,536	62,450	51,597
Administration	1,658,115	1,520,398	1,468,673	1,328,786
Fiscal	533,240	378,383	521,555	500,059
Business	134,860	134,860	221,434	221,434
Operation and Maintenance of Plant	2,336,714	2,321,062	2,230,148	2,145,243
Pupil Transportation	1,154,934	1,142,602	1,052,013	1,033,643
Central	171,200	154,059	172,605	145,026
Operation of Non-Instructional Services				
Food Service Operations	1,341,792	212,845	1,294,585	100,286
Other Non-Instructional Services	102,928	1,175	104,531	493
Extracurricular Activities	508,873	259,286	513,169	242,567
Interest and Fiscal Charges	337,509	337,509	327,073	327,073
<b>Total</b>	<b>\$24,758,113</b>	<b>\$18,390,932</b>	<b>\$23,797,100</b>	<b>\$17,148,740</b>

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
Unaudited

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. 74 percent of total expenses are supported through taxes and other general revenues.

**The School District Major Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$19,126,077 and expenditures of \$17,983,135. The fund balance of the General Fund increased \$442,942 from fiscal year 2007 due to increases in property taxes and intergovernmental revenue and decreases in overall expenditures.

The Bond Retirement Debt Service Fund had total revenues of \$889,471 and expenditures of \$671,742. The Bond Retirement Building Project Debt Service Fund experienced an increase in fund balance of \$217,729. The School District experienced an increase in fund balance due to increases in property tax revenue.

**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 fiscal 2008, the School District amended its General Fund budget three times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$19,358,789, \$716,459 below final estimates of \$20,075,248. The majority of this difference was due to a decrease intergovernmental revenues and tuition and fees. Final estimated revenues were \$1,211,492 above original estimated revenues of \$18,863,756. Expenditures of \$18,438,083 were \$715,350 below final appropriations of \$19,153,433. Final appropriations were \$414,287 above original appropriations of \$18,739,146.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the School District had \$43,303,315 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

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

	Governmental Activities	
	2008	2007
Land	\$5,031,339	\$5,031,339
Land Improvements	512,997	545,800
Buildings and Improvements	36,451,191	37,321,504
Furniture and Fixtures	468,182	494,608
Machinery and Equipment	581,027	646,555
Vehicles	258,579	325,340
Totals	\$43,303,315	\$44,365,146

See Note 12 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2008, the School District had \$6,541,021 in general obligation bonds outstanding, of which \$350,092 is due within one year. See Note 15 to the basic financial statements for more information on debt.

**Current Issues**

The Board of Education and administration closely monitor the School District's revenues and expenses in accordance with its financial forecast and work to prudently utilize, efficiently and effectively, the tax dollars and other resources available.

The School District faces many challenges in today's environment and does not anticipate any meaningful growth in State revenue due to uncertainties surrounding the State budget and the State's unwillingness to adequately support school districts with higher property valuations per pupil.

The School District's emergency operating levy generates \$1,455,000 each year. The School District placed a renewal of the existing emergency operating levy on the ballot in November, 2006. The issue passed and will maintain revenues of \$1,455,000 annually.

Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain financial stability. The Board of Education and administration of the School District must maintain financial management in order to preserve financial stability.

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

This financial report is designed to provide our citizen's, taxpayers, and 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 any questions about this report or need additional financial information, contact Susan Tucker, Treasurer, at Cambridge City School District, 6111 Fairdale Road., Cambridge, Ohio 43725, or E-Mail at [susan.tucker@omeresanet.net](mailto:susan.tucker@omeresanet.net).

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**Cambridge City School District, Ohio**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,690,011
Cash and Cash Equivalents in Segregated Accounts	2,601
Cash and Cash Equivalents with Fiscal Agents	357,727
Investments in Segregated Accounts	14,479
Inventory Held for Resale	4,987
Materials and Supplies Inventory	47,993
Accounts Receivable	58,984
Intergovernmental Receivable	830,996
Prepaid Items	71,772
Property Taxes Receivable	7,367,132
Deferred Charges	55,106
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>38,271,976</u>
<i>Total Assets</i>	<u>57,805,103</u>
<b>Liabilities</b>	
Accounts Payable	115,649
Accrued Wages and Benefits Payable	2,095,458
Matured Compensated Absences Payable	33,188
Intergovernmental Payable	502,587
Contracts Payable	24,085
Accrued Interest Payable	21,769
Deferred Revenue	4,391,740
Claims Payable	587,000
Long-Term Liabilities:	
Due Within One Year	419,231
Due In More Than One Year	<u>7,404,020</u>
<i>Total Liabilities</i>	<u>15,594,727</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	37,125,636
Restricted for:	
Debt Service	1,615,913
Capital Projects	1,663,479
Bus Purchase	53,545
Textbooks and Instructional Materials	164,320
Music Supplies:	
Non-Expendable	500
Expendable	1,952
Other Purposes	664,113
Unrestricted	<u>920,918</u>
<i>Total Net Assets</i>	<u><u>\$42,210,376</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2008*

	Program Revenues			Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$11,574,480	\$782,671	\$836,893	\$0	(\$9,954,916)
Special	2,391,606	0	1,749,206	0	(642,400)
Vocational	151,508	0	142,005	0	(9,503)
Intervention	236,549	0	102,844	0	(133,705)
Support Services:					
Pupils	936,359	0	49,185	0	(887,174)
Instructional Staff	1,152,896	0	876,377	0	(276,519)
Board of Education	34,550	0	0	10,014	(24,536)
Administration	1,658,115	0	137,717	0	(1,520,398)
Fiscal	533,240	0	154,857	0	(378,383)
Business	134,860	0	0	0	(134,860)
Operation and					
Maintenance of Plant	2,336,714	0	15,652	0	(2,321,062)
Pupil Transportation	1,154,934	0	0	12,332	(1,142,602)
Central	171,200	0	17,141	0	(154,059)
Operation of Non-Instructional Services:					
Food Service Operations	1,341,792	321,625	807,322	0	(212,845)
Other Non-Instructional Services	102,928	0	101,753	0	(1,175)
Extracurricular Activities	508,873	241,522	8,065	0	(259,286)
Interest and Fiscal Charges	337,509	0	0	0	(337,509)
<i>Totals</i>	<u>\$24,758,113</u>	<u>\$1,345,818</u>	<u>\$4,999,017</u>	<u>\$22,346</u>	<u>(18,390,932)</u>
<b>General Revenues</b>					
Property Taxes Levied For:					
					5,786,117
					791,538
					83,076
Grants and Entitlements not					
					11,672,356
Gifts and Donations					
					5,030
Interest					
					243,088
Miscellaneous					
					46,508
<i>Total General Revenues</i>					<u>18,627,713</u>
<i>Change in Net Assets</i>					236,781
<i>Net Assets Beginning of Year</i>					<u>41,973,595</u>
<i>Net Assets End of Year</i>					<u>\$42,210,376</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$358,645	\$1,273,488	\$1,959,453	\$3,591,586
Cash and Cash Equivalents in Segregated Accounts	0	0	2,601	2,601
Cash and Cash Equivalents with Fiscal Agents	0	0	357,727	357,727
Investments in Segregated Accounts	14,479	0	0	14,479
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	217,865	0	0	217,865
Receivables:				
Property Taxes	6,401,709	875,244	90,179	7,367,132
Accounts	3,455	0	55,529	58,984
Intergovernmental	1,010	0	829,986	830,996
Interfund	8,854	0	0	8,854
Prepaid Items	69,669	0	2,103	71,772
Inventory Held for Resale	0	0	4,987	4,987
Materials and Supplies Inventory	44,930	0	3,063	47,993
<i>Total Assets</i>	<u>\$7,120,616</u>	<u>\$2,148,732</u>	<u>\$3,305,628</u>	<u>\$12,574,976</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$96,007	\$0	\$9,382	\$105,389
Accrued Wages and Benefits Payable	1,700,576	0	394,882	2,095,458
Matured Compensated Absences Payable	29,079	0	4,109	33,188
Intergovernmental Payable	418,744	0	83,843	502,587
Contracts Payable	0	0	24,085	24,085
Interfund Payable	0	0	8,854	8,854
Deferred Revenue	4,776,045	647,253	736,041	6,159,339
<i>Total Liabilities</i>	<u>7,020,451</u>	<u>647,253</u>	<u>1,261,196</u>	<u>8,928,900</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	233,735	0	228,449	462,184
Reserved for Property Taxes	1,625,664	227,991	23,302	1,876,957
Reserved for Bus Purchase	53,545	0	0	53,545
Reserved for Textbooks and Instructional Materials	164,320	0	0	164,320
Reserved for Endowment	0	0	500	500
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(1,977,099)	0	0	(1,977,099)
Special Revenue Funds	0	0	214,804	214,804
Debt Service Fund	0	1,273,488	0	1,273,488
Capital Projects Funds	0	0	1,575,425	1,575,425
Permanent Fund	0	0	1,952	1,952
<i>Total Fund Balances</i>	<u>100,165</u>	<u>1,501,479</u>	<u>2,044,432</u>	<u>3,646,076</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,120,616</u>	<u>\$2,148,732</u>	<u>\$3,305,628</u>	<u>\$12,574,976</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

<b>Total Governmental Fund Balances</b>		<b>\$3,646,076</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,303,315
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,098,435	
Grants	614,021	
Student Fees	<u>55,143</u>	1,767,599
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(21,769)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		55,106
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(6,541,021)	
Compensated Absences Payable	<u>(1,282,230)</u>	(7,823,251)
An internal service fund is used by management to charge to costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		<u>1,283,300</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$42,210,376</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$5,370,081	\$734,772	\$77,334	\$6,182,187
Intergovernmental	12,752,850	154,699	3,476,763	16,384,312
Interest	156,380	0	66,860	223,240
Tuition and Fees	782,671	0	45,935	828,606
Extracurricular Activities	26,120	0	215,402	241,522
Gifts and Donations	10,970	0	15,373	26,343
Customer Sales and Services	0	0	321,625	321,625
Miscellaneous	27,005	0	19,503	46,508
<i>Total Revenues</i>	<u>19,126,077</u>	<u>889,471</u>	<u>4,238,795</u>	<u>24,254,343</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,968,349	0	856,895	10,825,244
Special	1,423,939	0	803,877	2,227,816
Vocational	145,641	0	0	145,641
Intervention	111,477	0	115,506	226,983
Support Services:				
Pupils	835,072	0	68,380	903,452
Instructional Staff	269,972	0	772,881	1,042,853
Board of Education	31,571	0	0	31,571
Administration	1,482,546	0	125,284	1,607,830
Fiscal	473,514	24,394	2,604	500,512
Business	115,857	0	0	115,857
Operation and Maintenance of Plant	1,801,261	0	191,094	1,992,355
Pupil Transportation	1,051,837	0	0	1,051,837
Central	90,088	0	18,621	108,709
Operation of Non-Instructional Services	2,622	0	1,302,384	1,305,006
Extracurricular Activities	179,146	0	239,106	418,252
Capital Outlay	243	0	462,907	463,150
Debt Service:				
Principal Retirement	0	190,739	0	190,739
Interest and Fiscal Charges	0	257,348	0	257,348
Capital Appreciation Bonds Interest	0	199,261	0	199,261
<i>Total Expenditures</i>	<u>17,983,135</u>	<u>671,742</u>	<u>4,959,539</u>	<u>23,614,416</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,142,942	217,729	(720,744)	639,927
<b>Other Financing Use</b>				
Transfers Out	(700,000)	0	0	(700,000)
<i>Net Change in Fund Balances</i>	442,942	217,729	(720,744)	(60,073)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(342,777)</u>	<u>1,283,750</u>	<u>2,765,176</u>	<u>3,706,149</u>
<i>Fund Balances End of Year</i>	<u>\$100,165</u>	<u>\$1,501,479</u>	<u>\$2,044,432</u>	<u>\$3,646,076</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		(\$60,073)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:		
Capital Asset Additions	206,640	
Depreciation Expense	<u>(1,268,471)</u>	(1,061,831)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	197,434	
Student Fees	31,965	
Delinquent Taxes	<u>478,544</u>	707,943
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		390,000
 Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Accrued Interest Payable	(554)	
Capital Appreciation Bond Premium	56,722	
Amortization of Discount	(3,337)	
Amortization of Serial Premium	8,138	
Amortization of Deferred Amount on Refunding	(31,280)	
Annual Accretion	(106,029)	
Amortization of Issuance Costs	<u>(3,821)</u>	(80,161)
 Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		24,538
 The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>316,365</u>
 <i>Change in Net Assets of Governmental Activities</i>		 <u><u>\$236,781</u></u>

See accompanying notes to the basic financial statements  
See accountant's compilation report

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$5,250,765	\$5,650,000	\$5,609,246	(\$40,754)
Intergovernmental	12,497,534	13,284,866	12,752,850	(532,016)
Interest	225,457	204,382	162,347	(42,035)
Tuition and Fees	790,000	863,000	779,351	(83,649)
Extracurricular Activities	65,000	33,000	26,120	(6,880)
Gifts and Donations	0	15,000	10,970	(4,030)
Miscellaneous	35,000	25,000	17,905	(7,095)
<i>Total Revenues</i>	18,863,756	20,075,248	19,358,789	(716,459)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,897,350	8,987,538	10,174,790	(1,187,252)
Special	2,910,188	2,996,728	1,433,426	1,563,302
Vocational	170,759	244,959	238,312	6,647
Intervention	196,250	136,717	91,588	45,129
Support Services:				
Pupils	822,550	886,134	861,630	24,504
Instructional Staff	294,000	285,095	268,504	16,591
Board of Education	52,243	38,353	37,569	784
Administration	1,381,030	1,524,105	1,484,798	39,307
Fiscal	454,164	486,939	476,914	10,025
Business	222,502	158,215	149,821	8,394
Operation and Maintenance of Plant	1,999,368	1,904,254	1,853,956	50,298
Pupil Transportation	1,003,492	1,148,343	1,082,444	65,899
Central	147,550	162,975	101,063	61,912
Operation of Non-Instructional Services	3,000	3,100	2,622	478
Extracurricular Activities	184,700	189,735	180,403	9,332
Capital Outlay	0	243	243	0
<i>Total Expenditures</i>	18,739,146	19,153,433	18,438,083	715,350
<i>Excess of Revenues Over (Under) Expenditures</i>	124,610	921,815	920,706	(1,109)
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	4,239	4,279	4,279	0
Advances In	0	80,600	80,600	0
Advances Out	0	(81,000)	(80,454)	546
Transfers Out	(10,000)	(700,000)	(700,000)	0
<i>Total Other Financing Sources (Uses)</i>	(5,761)	(696,121)	(695,575)	546
<i>Net Change in Fund Balance</i>	118,849	225,694	225,131	(563)
<i>Fund Balance Beginning of Year</i>	(76,539)	(76,539)	(76,539)	0
Prior Year Encumbrances Appropriated	139,396	139,396	139,396	0
<i>Fund Balance End of Year</i>	\$181,706	\$288,551	\$287,988	(\$563)

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2008*

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	Self-Insurance Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,880,560</u>
<b>Current Liabilities</b>	
Accounts Payable	10,260
Claims Payable	<u>587,000</u>
<i>Total Liabilities</i>	<u>597,260</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,283,300</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Self-Insurance Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,183,356
<b>Operating Expenses</b>	
Purchased Services	256,810
Claims	3,342,789
<i>Total Operating Expenses</i>	<i>3,599,599</i>
<i>Operating Loss</i>	<i>(416,243)</i>
<b>Non-Operating Revenues</b>	
Interest	32,608
<i>Loss before Transfers</i>	<i>(383,635)</i>
Transfers In	700,000
<i>Net Change in Net Assets</i>	<i>316,365</i>
<i>Net Assets Beginning of Year</i>	<i>966,935</i>
<i>Net Assets End of Year</i>	<i>\$1,283,300</i>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2008*

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	<u>Self-Insurance Fund</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,183,356
Cash Payments for Goods and Services	(265,000)
Cash Payments for Claims	<u>(3,056,789)</u>
Net Cash Used For Operating Activities	(138,433)
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers In	700,000
<b>Cash Flows from Investing Activities</b>	
Interest	<u>32,608</u>
<i>Net Increase in Cash and Cash Equivalents</i>	594,175
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,286,385</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,880,560</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</b>	
Operating Loss	(\$416,243)
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(8,190)
Increase in Claims Payable	<u>286,000</u>
Net Cash Used For Operating Activities	<u><u>(\$138,433)</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$485,348	\$22,225
<b>Liabilities</b>		
Due to Students	0	\$22,225
<b>Net Assets</b>		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	151,633	
Total Net Assets	\$485,348	

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2008*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$16,253
Interest	13,135
<i>Total Additions</i>	29,388
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	38,669
<i>Change in Net Assets</i>	(9,281)
<i>Net Assets Beginning of Year</i>	494,629
<i>Net Assets End of Year</i>	\$485,348

See accompanying notes to the basic financial statements

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **Note 1 - Description of the School District and Reporting Entity**

Cambridge City School District is a body politic and corporate established 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 mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and two support facilities staffed by 110 classified employees and 181 certified personnel, who provide services to 2,490 students and other community members.

The Superintendent of Public Instruction declared the Cambridge City School District in a state of fiscal caution effective February 16, 2006. See Note 21 for more information.

#### ***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, the Mid-East Career and Technology Centers, the Metropolitan Educational Council (MEC), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **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.

**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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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

**Fund Financial Statements** During the fiscal 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. Nonmajor funds are aggregated and presented in a single column. 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 funds of the School District are divided into three categories: governmental, proprietary, and fiduciary.

**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 School District's major funds are the General Fund and the Bond Retirement Debt Service Fund.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**General Fund** The General Fund 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** This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund type is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operations of the School District's self-insurance program for employee dental and medical benefits.

**Fiduciary Fund Type** 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty and student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**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 are generally 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

### ***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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 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 nonexchange 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, interest, tuition, grants, fees, and charges for services.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are 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 are reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis, expenses are recognized at the time they are incurred.

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

### ***E. 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. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District has segregated bank accounts for athletic activities. The balances in these accounts are presented as "cash and cash equivalents in segregated accounts" since they are not deposited into the School District treasury.

Cash and cash equivalents that are held separately for the School District by fiscal agents and not held with the School District Treasurer are recorded as "Cash and Cash Equivalents with Fiscal Agents," and represent the Ohio School Facilities monies held in escrow for contractors.

During fiscal year 2008, investments were limited to common stock, which is reported at fair value as of June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$156,380, which includes \$124,218 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

### ***F. Inventory***

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

### ***G. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally 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 on the fund financial statements.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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 capitalized.

All reported capital assets, except 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 and Improvements	20-50 years
Furniture and Fixtures	5-20 years
Machinery and Equipment	5-20 years
Vehicles	10 years

***H. Interfund Balances***

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

***I. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by Statute to be set aside by the School District for the creation of a reserve for the purchase of textbooks and other instructional materials, and unexpended revenues restricted for the purchase of buses.

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated vacation leave after an employee's anniversary hire date.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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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 certified employees with fifteen years of service with the School District and for classified employees with five years of 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 recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund which the employees who will receive the payment are paid.

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

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

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

***L. Interfund Activity***

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

***M. Fund Balance Reserves***

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

***N. Unamortized Issuance Costs and Bond Premiums and Discounts***

On government-wide financial statements, issuance costs and bond discounts and premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition of the face amount of bonds payable.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the debt is issued.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$4,163,822 of restricted net assets, of which no amounts were restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for music and athletic programs, and local, federal, and state grants restricted to expenditure for specified purposes.

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

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

The preparation of 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.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **S. Budgetary Process**

All funds, other than 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 set 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 Treasurer maintains budgetary information at the function and object levels and has the authority to allocate appropriations at these levels without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal 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 statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

### **Note 3 – Change in Accounting Principles**

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the STRS post-employment healthcare plans in the amount of \$131,516 and \$225,820, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 4- Deficit Fund Balances**

The Food Service and State Grants Special Revenue Funds had deficit fund balances as of June 30, 2008, of \$16,102 and \$82,755, respectively. The deficits are the result of adjustments due to accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance 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 and Actual (Budget Basis) presented for the 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 (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unreported items represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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Net Change in Fund Balance

GAAP Basis	\$442,942
Net Adjustment for Revenue Accruals	230,405
Net Adjustment for Expenditure Accruals	(98,762)
Prepaid Items:	
End of Fiscal Year	(69,669)
Unreported Items:	
Beginning of Fiscal Year	23,070
End of Fiscal Year	(16,484)
Advances In	80,600
Advances Out	(80,454)
Encumbrances	(286,517)
Budget Basis	<u>\$225,131</u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim monies may 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;

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
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 (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**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, \$6,644,551 of the School District's bank balance of \$6,891,496 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit 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.

**Investments** As of June 30, 2008, the School District had the following investment.

	<u>Fair Value</u>
JPMorgan Chase & Co. Common Stock	\$14,479

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 100% is invested in JPMorgan Chase & Co. Common Stock.

## **Note 7 - Property Taxes**

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

## Cambridge City School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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 Guernsey 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2008, 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 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. 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 is deferred. The amount available as an advance at June 30, 2008, was \$1,876,957. \$1,625,664 was available in the General Fund, \$23,302 in the Classroom Facilities Maintenance Special Revenue Fund, and \$227,991 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2007, was \$2,163,211. \$1,864,829 was available in the General Fund, \$27,765 in the Classroom Facilities Maintenance Special Revenue Fund, and \$270,617 in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$198,691,100	90.85%	\$198,994,580	92.22%
Public Utility Personal	17,193,920	7.86%	15,015,490	6.96%
Tangible Personal Property	2,811,600	1.29%	1,766,900	0.82%
Total	<u>\$218,696,620</u>	<u>100.00%</u>	<u>\$215,776,970</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$38.15		\$39.10	

**Note 8 - Receivables**

Receivables at June 30, 2008, consisted of property taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	
School Lunch	\$1,784
EMIS	3,407
Early Childhood Education	111,709
Idea - Part B	298,998
Title I	197,977
Title I Delinquent	24,954
Title V	4,315
Safe and Drug Free	8,416
Title II-A	117,067
Title II-D Technology	11,149
Title VI-B	47,844
After School Demonstration	2,366
Miscellaneous	1,010
	<u>\$830,996</u>

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 9 - Interfund Activity**

During fiscal year 2008, the School District made a transfer from the General Fund to the Dental and Medical Self-Insurance Fund in the amount of \$700,000 to cover individual employee claims that are anticipated to occur during fiscal year 2009 and be in excess of the stop-loss coverage due to catastrophic illnesses of three employees.

At June 30, 2008, the General Fund had an interfund receivable resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Federal Grants Special Revenue Funds in the amount of \$8,854.

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Barengo Insurance Agency through Peoples Insurance Agency, Inc. for property and fleet insurance, vehicles, boiler and machinery coverage and professional liability. Blanket coverage for property coverage for fiscal year 2008 was in the amount of \$70,873,600. General liability is protected with a \$5,000,000 aggregate and no deductible. Vehicles are covered also by Selective Insurance Company and hold a \$1,000 deductible for both comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

***B. Workers' Compensation***

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District maintains a self funded insurance program through Aultra Administrative Group for dental and medical coverage. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums are \$548.29 monthly for single and \$1,225.43 monthly for family. The dental coverage premiums are \$60.60 monthly for both single and family. The coverage is offered to all School District employees.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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The claims liability of \$587,000 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 2007 and 2008 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2007	\$490,000	\$2,094,804	\$2,283,804	\$301,000
2008	301,000	3,342,789	3,056,789	587,000

**Note 11 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year 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 260 days for certified employees and 230 days for classified employees.

Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 160 unused sick leave days, or a maximum payment of 40 days, plus one day of severance pay for each ten days of accumulated sick leave beyond 160 days.

Upon retirement, classified employees with at least 5 years of service with the School District, receive payment for one-third of the total sick leave accumulation, up to a maximum of 105 unused sick leave days, or a maximum payment of 35 days, plus one day of sick leave for each 20 days of accumulated sick leave beyond 105 days.

**B. Life Insurance**

The School District provides life insurance to contracted employees through Genworth in the amount of \$30,000 for classified employees, \$25,000 for certified employees, and \$100,000 for administrators.

**Note 12 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	<u>5,031,339</u>	<u>0</u>	<u>0</u>	<u>5,031,339</u>
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,565,188	195,440	0	42,760,628
Furniture and Fixtures	573,795	0	0	573,795
Machinery and Equipment	1,203,150	6,200	0	1,209,350
Vehicles	1,450,199	5,000	(24,325)	1,430,874
Total capital assets being depreciated	<u>46,448,388</u>	<u>206,640</u>	<u>(24,325)</u>	<u>46,630,703</u>
Accumulated depreciation				
Land Improvements	(110,256)	(32,803)	0	(143,059)
Buildings and Improvements	(5,243,684)	(1,065,753)	0	(6,309,437)
Furniture and Fixtures	(79,187)	(26,426)	0	(105,613)
Machinery and Equipment	(556,595)	(71,728)	0	(628,323)
Vehicles	(1,124,859)	(71,761)	24,325	(1,172,295)
Total accumulated depreciation	<u>(7,114,581)</u>	<u>(1,268,471) *</u>	<u>24,325</u>	<u>(8,358,727)</u>
Capital assets being depreciated, net	<u>39,333,807</u>	<u>(1,061,831)</u>	<u>0</u>	<u>38,271,976</u>
Governmental Activities capital assets, net	<u>\$44,365,146</u>	<u>(\$1,061,831)</u>	<u>\$0</u>	<u>\$43,303,315</u>

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

Instruction:	
Regular	\$522,553
Special	122,781
Vocational	4,838
Intervention	12,000
Support Services:	
Pupils	51,906
Instructional Staff	51,065
Board of Education	2,979
Administration	72,237
Fiscal	24,881
Business	10,564
Operation and Maintenance of Plant	115,260
Pupil Transportation	72,865
Central	23,194
Extracurricular Activities	60,096
Operation of Non-Instructional Services	5,487
Food Service Operations	115,765
Total Depreciation Expense	<u>\$1,268,471</u>

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **Note 13 - 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.

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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$201,578, \$259,047, and \$270,623, respectively; 42.93 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

#### ***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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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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.

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, 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, 2008, 2007, and 2006, were \$1,247,111, \$1,362,205, and \$1,635,024, respectively; 85.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$1,661 made by the School District and \$6,253 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

## **Note 14 - Postemployment Benefits**

### ***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

## Cambridge City School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$146,924, \$121,787, and \$127,929, respectively; 38.01 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$15,057, \$17,545, and \$20,602, respectively; 44.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

#### ***B. State Teachers Retirement System***

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, 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, 2008, 2007, and 2006, were \$95,932, \$104,785, and \$102,520, respectively; 85.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**Note 15 - Long Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<b>Governmental Activities:</b>					
2000 Classroom Facilities					
Construction and Improvement GO Bonds:					
Serial Bonds - 4.20-5.40%	\$655,000	\$0	\$0	\$655,000	\$0
Original Issue of Capital Appreciation					
Bonds - 13.21%	226,979	0	120,739	106,240	106,240
Accretion on Capital Appreciation Bonds	337,276	55,837	199,261	193,852	193,852
<b>Total 2000 Bonds</b>	<b>1,219,255</b>	<b>55,837</b>	<b>320,000</b>	<b>955,092</b>	<b>300,092</b>
2005 Classroom Facilities Refunding Bonds:					
Serial Bonds - 3.25%-5.5%	5,420,000	0	70,000	5,350,000	50,000
Original Issue of Capital Appreciation					
Bonds - 22.66%-23.63%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	64,192	50,192	0	114,384	0
Premium on Capital Appreciation Bonds	420,146	0	56,722	363,424	0
Deferred Amount on Refunding	(482,393)	0	(31,280)	(451,113)	0
Premium on Serial Bonds	125,497	0	8,138	117,359	0
Discount	(51,462)	0	(3,337)	(48,125)	0
<b>Total 2005 Bonds</b>	<b>5,635,980</b>	<b>50,192</b>	<b>100,243</b>	<b>5,585,929</b>	<b>50,000</b>
<b>Total Bonds</b>	<b>6,855,235</b>	<b>106,029</b>	<b>420,243</b>	<b>6,541,021</b>	<b>350,092</b>
Compensated Absences	1,306,768	71,781	96,319	1,282,230	69,139
<b>Total Governmental Activities</b>	<b>\$8,162,003</b>	<b>\$177,810</b>	<b>\$516,562</b>	<b>\$7,823,251</b>	<b>\$419,231</b>

Sick leave and vacation benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Lunchroom, Auxiliary Services, State Grants and Federal Grants Special Revenue Funds.

On April 18, 2000, the Cambridge City School District issued \$8,231,979 in voted general obligation bonds to pay the local share of the school construction project under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The bond issue consisted of serial, term, and capital appreciation bonds. Part of the bonds was refunded in fiscal year 2006 (see discussion below). The liability for the remaining bonds, consisting of serial and capital appreciation bonds, is recorded in the Statement of Net Assets with the annual principal and interest requirements retired from the Debt Service Fund.

\$320,000 of the capital appreciation bonds matured December 1, 2007, with the remainder of \$335,000 to mature December 1, 2008. These bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest is paid and the bond holder collects the face value. For the fiscal year 2008, \$55,837 was accreted for a total bond value of \$300,092.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

On September 13, 2005, the School District issued \$5,745,000 in refunding bonds to retire \$5,745,000 of outstanding school improvement bonds. \$6,283,525 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. At June 30, 2008, \$5,992,860 remains in this account. \$5,745,000 of refunded bonds was considered defeased and the liability is removed from the statement of net assets. To date, no payments have been made on the refunded amounts.

The Serial Refunding Bonds maturing on December 1, 2016, and thereafter are subject to optional redemption in whole or in part on any date in any order of maturity as determined by the Board of Education on or after December 1, 2015, at par.

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$56,722 was amortized in fiscal year 2008. The capital appreciation bonds will mature in fiscal year 2014. The maturity amount of the bonds is \$940,000. For the fiscal year 2008, \$50,192 was accreted for a total bond value of \$617,808.

The overall debt margin of the School District as of June 30, 2008, was \$13,386,416, with an unvoted debt margin of \$215,777.

Principal and interest requirements to retire the 2000 bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending	2000 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2009	\$0	\$33,572	\$106,240	\$213,760
2010	320,000	25,412	0	0
2011	335,000	8,626	0	0
	<u>\$655,000</u>	<u>\$67,610</u>	<u>\$106,240</u>	<u>\$213,760</u>

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending	2005 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2009	\$50,000	\$221,825	\$0	\$0
2010	35,000	220,444	0	0
2011	65,000	218,737	0	0
2012	425,000	210,163	0	0
2013	440,000	190,624	75,000	395,000
2014-2018	1,460,000	803,976	65,000	405,000
2019-2023	2,875,000	297,625	0	0
	<u>\$5,350,000</u>	<u>\$2,163,394</u>	<u>\$140,000</u>	<u>\$800,000</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 16 - Jointly Governed Organizations**

***A. Ohio Mid-Eastern Regional Education Service Agency***

The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The total amount paid to OME-RESA from the School District for the fiscal year 2008 was \$61,175.

The governing board of OME-RESA is selected by the member districts. OME-RESA possesses its own budgeting, appropriating, contract and designating management. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Boulevard, Steubenville, Ohio 43952.

***B. Mid-East Career and Technology Centers***

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The 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 participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2008, the School District made no payments to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

***C. Metropolitan Educational Council***

The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in Ohio. The organization is composed of over 135 members. The governing board is comprised of either the superintendent or his or her designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school district pay a membership fee to MEC to cover the costs of administering the program. The School District's membership fee was \$968 for fiscal year 2008. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, fiscal officer, 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### ***D. East Central Ohio Special Education Regional Resource Center***

The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education service center which selects its own board, adopts its own budget, and receives direct federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2008, the School District made payments of \$5,145 to ECO SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

### **Note 17 - Insurance Purchasing Pool**

#### ***Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the Plan.

### **Note 18 - Contingencies**

#### ***A. Grants***

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, 2008.

#### ***B. Litigation***

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**Note 19 - Set-Asides**

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. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

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

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2007	\$0	\$153,076
Current Year Set-aside Requirement	388,630	388,630
Qualifying Expenditures	0	(377,386)
Qualifying Offsets	(859,195)	0
Total	<u>(\$470,565)</u>	<u>\$164,320</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$164,320</u>

The School District had offsets that reduced the capital improvements set-asides below zero, which may not be carried forward to future years. The School District did not have qualifying expenditures during the fiscal year that met the current year set-aside requirement plus any carryforwards for textbooks. The amount that was short of the requirement was placed in a reserve for textbooks and instructional materials and the monies were restricted.

**Note 20 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. The endowments are \$333,715. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$151,633 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowments, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**Note 21 – Financial Difficulties**

The School District was placed in Fiscal Caution on February 16, 2006, by the Ohio Department of Education. The School District submitted a proposal to the Ohio Department of Education on March 31, 2006, to avoid future potential deficits. The Ohio Department of Education accepted the proposal on April 7, 2006.

The School District implemented an expenditure reduction plan during fiscal year 2007 which included a reduction in force and other cost savings measures. The School District negotiated a new contract with the OAPSE support staff that provided for a 20 cent per hour increase in wages in fiscal year 2008 and a 10 cent per hour increase in fiscal year 2009.

On November 7, 2006, the School District passed a renewal Emergency Operating five-year 7.51 mill levy. The collections for this levy began in calendar year 2007.

As a result of cost and staffing reductions the five year forecast submitted to the Ohio Department of Education in October 2008 reflected a positive General Fund balance for fiscal years 2009 thru fiscal year 2013.

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
School Breakfast Program - Cash Assistance	043695-05PU-2007/8	10.553	\$209,583		\$209,583	
National School Lunch Program Non-Cash Assistance (Food Distribution)	N/A	10.555		\$67,109		\$67,109
National School Lunch Program - Cash Assistance	043695-LLP1-2007/8	10.555	614,586		614,586	
Total National School Lunch Program			614,586	67,109	614,586	67,109
Total - Nutrition Cluster			824,169	67,109	824,169	67,109
Total U.S. Department of Agriculture			824,169	67,109	824,169	67,109
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Title I Grants to Local Educational Agencies	043695-C1S1-2007	84.010	58,216		139,360	
	043695-C1S1-2008	84.010	801,253		762,700	
	043695-C1SD-2007	84.010			3,549	
	043695-C1SD-2008	84.010	12,579		12,498	
Total Title I Grants to Local Educational Agencies			872,048		918,107	
Special Education: Grants to States	043695-6BSF-2007	84.027	34,321		97,766	
	043695-6BSF-2008	84.027	596,812		578,141	
Total Special Education: Grants to States			631,133		675,907	
Safe and Drug-Free Schools and Communities - State Grants	043695-DRS1-2007	84.186	656		2,130	
	043695-DRS1-2008	84.186	19,265		14,014	
Total Safe and Drug-Free Schools and Communities - State Grants			19,921		16,144	
State Grants for Innovative Programs	043695-C2S1-2007	84.298			2,497	
	043695-C2S1-2008	84.298	3,623		1,687	
Total State Grants for Innovative Programs			3,623		4,184	
Education Technology State Grants	043695-TJS1-2007	84.318			1,775	
	043695-TJS1-2008	84.318	3,496		2,638	
Total Education Technology State Grants			3,496		4,413	
Rural Education	043695-RUS1-2007	84.358	8,718		11,642	
	043695-RUS1-2008	84.358	38,753		33,133	
Total Rural Education			47,471		44,775	
Improving Teacher Quality State Grants	043695-TRS1-2007	84.367	27,511		31,991	
	043695-TRS1-2008	84.367	112,478		86,737	
Total Improving Teacher Quality State Grants			139,989		118,728	
Total U.S. Department of Education			1,717,681	0	1,782,258	0
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Guernsey County Department of JFS.</i>						
Temporary Assistance for Needy Families: Afterschool Grant	2007	93.558	8,388		8,388	
Temporary Assistance for Needy Families: Afterschool Grant	2008	93.558	20,160		22,527	
Total Temporary Assistance for Needy Families: Afterschool Grant			28,548		30,915	
Total U.S. Department of Health and Human Services			28,548	0	30,915	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$2,570,398</b>	<b>\$67,109</b>	<b>\$2,637,342</b>	<b>\$67,109</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule*

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



# Mary Taylor, CPA

Auditor of State

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

Cambridge City School District  
Guernsey County  
6111 Fairdale Road  
Cambridge, Ohio 43725

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 Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 25, 2009, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education. 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 expressing our opinions on the basic financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we reported to the School District's management in a separate letter dated February 25, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 25, 2009



# Mary Taylor, CPA

## Auditor of State

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

Cambridge City School District  
Guernsey County  
6111 Fairdale Road  
Cambridge, Ohio 43725

To the Board of Education:

#### Compliance

We have audited the compliance of the Cambridge City School District, Guernsey County, Ohio (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 apply to of its major federal programs for the year ended June 30, 2008. 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 express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 25, 2009

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster – CFDA # 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(Continued)**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**Mary Taylor, CPA**  
Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT**  
**GUERNSEY 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**  
**APRIL 16, 2009**