



Dave Yost • Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

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Dave Yost • 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 of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2010, 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 June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 28, 2011

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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, 2010. 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 2010 are as follows:

- Net assets of governmental activities decreased \$1,401,003.
- General revenues accounted for \$19,720,400 in revenue or 80 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,904,573 or 20 percent of total revenues of \$24,624,973.
- Total assets decreased \$2,120,167. Current assets decreased by \$961,783 primarily due to decreases in equity in pooled cash and cash equivalents and taxes receivable. Capital assets decreased \$1,158,384, as a result of current year depreciation exceeding capital asset additions.
- The School District had \$26,025,976 in expenses related to governmental activities; only \$4,904,573 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$19,720,400 were not adequate to provide for these programs.

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all

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assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, 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, food service operations, 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 funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. 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, Bond Retirement Fund and Building 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.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets.

Cambridge City School District
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These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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 2010 compared to 2009.

(Table 1)
 Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$13,784,604	\$14,746,387	(\$961,783)
Capital Assets, Net	40,944,588	42,102,972	(1,158,384)
<i>Total Assets</i>	54,729,192	56,849,359	(2,120,167)
Liabilities			
Current and Other Liabilities	7,589,637	8,102,319	(512,682)
Long-Term Liabilities			
Due Within One Year	527,283	443,868	83,415
Due in More Than One Year	6,800,261	7,090,158	(289,897)
<i>Total Liabilities</i>	14,917,181	15,636,345	(719,164)
Net Assets			
Invested in Capital Assets, Net of Related Debt	35,295,196	36,062,962	(767,766)
Restricted	4,092,711	4,019,961	72,750
Unrestricted	424,104	1,130,091	(705,987)
<i>Total Net Assets</i>	\$39,812,011	\$41,213,014	(\$1,401,003)

Total assets decreased \$2,120,167. Current assets decreased by \$961,783 primarily due to decreases in equity in pooled cash and cash equivalents and taxes receivable. Capital assets decreased \$1,158,384, as a result of current year depreciation exceeding capital asset additions.

Total liabilities decreased by \$719,164. Long-term liabilities decreased by \$206,482 primarily due to annual debt service payments on long term debt.

Total net assets of the School District's governmental activities decreased \$1,401,033. The unrestricted net assets decreased by \$705,987. Invested in capital assets, net of related debt decreased \$767,766 due primarily to annual depreciation expense.

Cambridge City School District
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 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, compared to June 30, 2009.

(Table 2)
 Changes in Net Assets

	Governmental Activities		Change
	2010	2009	
Revenues			
Program Revenues			
Charges for Services	\$1,184,253	\$1,300,649	(\$116,396)
Operating Grants, Contributions, and Interest	3,720,320	5,157,263	(1,436,943)
Capital Grants, Contributions, and Interest	0	42,780	(42,780)
Total Program Revenues	<u>4,904,573</u>	<u>6,500,692</u>	<u>(1,596,119)</u>
General Revenues			
Property Taxes	5,793,740	5,686,432	107,308
Grants and Entitlements	13,810,264	11,880,887	1,929,377
Gifts and Donations	24,529	0	24,529
Interest	42,359	90,866	(48,507)
Miscellaneous	49,508	250,026	(200,518)
Total General Revenues	<u>19,720,400</u>	<u>17,908,211</u>	<u>1,812,189</u>
Total Revenues	<u>24,624,973</u>	<u>24,408,903</u>	<u>216,070</u>
Program Expenses			
Instruction:			
Regular	11,215,867	9,837,188	1,378,679
Special	3,439,405	4,239,135	(799,730)
Vocational	139,179	195,131	(55,952)
Adult/Continuing	13,493	13,288	205
Student Intervention Services	305,736	306,351	(615)
Support Services:			
Pupils	1,110,465	967,372	143,093
Instructional Staff	1,397,219	1,491,408	(94,189)
Board of Education	71,420	42,603	28,817
Administration	1,668,784	1,559,828	108,956
Fiscal	536,186	516,289	19,897
Business	92,440	160,053	(67,613)
Operation and Maintenance of Plant	2,420,521	2,406,953	13,568
Pupil Transportation	1,215,294	1,070,833	144,461
Central	279,127	200,077	79,050
Food Service Operations	1,187,596	1,362,942	(175,346)
Community Services	49,828	0	49,828
Other Non-Instructional Services	21,390	162,085	(140,695)
Extracurricular Activities	563,839	559,323	4,516
Interest and Fiscal Charges	298,187	315,406	(17,219)
Total Expenses	<u>26,025,976</u>	<u>25,406,265</u>	<u>619,711</u>
Change in Net Assets	(1,401,003)	(997,362)	(403,641)
Net Assets Beginning of Year	<u>41,213,014</u>	<u>42,210,376</u>	<u>(997,362)</u>
Net Assets End of Year	<u>\$39,812,011</u>	<u>\$41,213,014</u>	<u>(\$1,401,003)</u>

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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Property taxes made up approximately 29 percent of general revenues for governmental activities for the School District. Of the remaining general revenues, the School District receives 70 percent from state foundation and federal and state grants, and 1 percent from interest, gifts and donations and miscellaneous receipts. The School District experienced a decrease in property taxes from fiscal year 2009 to fiscal year 2010. The decrease is primarily due to a large decrease in the amount available as advance on the August property tax settlement. Also, the School District experienced an increase in intergovernmental revenues from ARRA grant monies.

Instruction comprises approximately 58 percent of governmental program expenses and reflected a \$522,587 increase from fiscal year 2009. Overall, program expenses of the School District increased by \$619,711, with the largest increase being reflected in regular instruction. This increase was offset primarily by reductions in special instruction.

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 for fiscal year 2010 compared to fiscal year 2009. 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
	2010	2010	2009	2009
Program Expenses				
Instruction:				
Regular	\$11,215,867	\$10,568,054	\$9,837,188	\$8,460,916
Special	3,439,405	2,418,156	4,239,135	2,410,163
Vocational	139,179	46,399	195,131	103,055
Adult/Continuing	13,493	13,493	13,288	13,288
Student Intervention Services	305,736	305,736	306,351	194,339
Support Services:				
Pupils	1,110,465	940,662	967,372	883,448
Instructional Staff	1,397,219	481,112	1,491,408	509,397
Board of Education	71,420	71,420	42,603	28,463
Administration	1,668,784	1,521,899	1,559,828	1,465,667
Fiscal	536,186	367,306	516,289	345,480
Business	92,440	92,440	160,053	160,053
Operation and Maintenance of Plant	2,420,521	2,322,567	2,406,953	2,236,064
Pupil Transportation	1,215,294	1,215,294	1,070,833	1,009,069
Central	279,127	125,336	200,077	165,012
Food Service Operations	1,187,596	15,321	1,362,942	180,668
Community Services	49,828	(17,110)	0	0
Other Non-Instructional Services	21,390	14,523	162,085	34,703
Extracurricular Activities	563,839	320,608	559,323	390,382
Interest and Fiscal Charges	298,187	298,187	315,406	315,406
Total	\$26,025,976	\$21,121,403	\$25,406,265	\$18,905,573

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 88 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenues support is approximately 81 percent.

The School District Major Funds

Information about the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$18,015,539 and expenditures of \$19,051,576. The fund balance of the General Fund decreased \$1,036,037 from fiscal year 2009 due primarily to decreases in tax revenue and tuition and fees as well as increases expenditures.

The Bond Retirement Debt Service Fund had total revenues of \$726,784, which exceeded expenditures of \$623,474. As a result, the Bond Retirement Debt Service Fund realized an increase in fund balance in the amount of \$103,310 from fiscal year 2009.

The Building Capital Projects Fund had total revenues of \$16,744, all related to interest earnings. The fund had no expenditures during fiscal year 2010 and as a result, the Building Capital Projects Fund's fund balance increased in the amount of \$16,744.

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 year 2010, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. With the exception of intergovernmental revenue and tuition and fees, there were no significant changes between the original and final budget. The actual results of operations were slightly different than budgeted amounts as spending in most categories was lower than budgeted appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$40,944,588 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2010 balances compared to 2009.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
 Unaudited

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

	Governmental Activities	
	2010	2009
Land	\$5,031,339	\$5,031,339
Land Improvements	447,391	480,194
Buildings and Improvements	34,358,623	35,399,561
Furniture and Fixtures	382,242	441,756
Machinery and Equipment	523,874	557,887
Vehicles	201,119	192,235
Totals	\$40,944,588	\$42,102,972

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

Debt

At June 30, 2010, the School District had \$5,915,755 in general obligation bonds outstanding (including premiums, discounts and deferred amounts on refunding), of which \$400,000 is due within one year. During fiscal year 2010, the School District made lease payments in the amount of \$9,351 and at year end, \$35,487 was outstanding on the capital leases with \$10,247 due within one year. See Note 16 to the basic financial statements for more information on debt.

Economic Factors

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. A renewal of the existing emergency operating levy was passed in November, 2006. The School District will need to place a renewal of the existing levy on the ballot prior to fiscal year 2013.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2011 and deficit cash balances beginning in fiscal year 2012.

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 Charles Radcliff, Treasurer, at Cambridge City School District, 6111 Fairdale Road, Cambridge, Ohio 43725, or E-Mail at charles.radcliff@omeresanet.net.

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Cambridge City School District

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,949,892
Cash and Cash Equivalents in Segregated Accounts	312,047
Investments in Segregated Accounts	15,449
Inventory Held for Resale	10,725
Materials and Supplies Inventory	60,025
Accounts Receivable	59,963
Intergovernmental Receivable	386,848
Prepaid Items	86,244
Property Taxes Receivable	6,855,947
Deferred Charges	47,464
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>35,913,249</u>
<i>Total Assets</i>	<u>54,729,192</u>
Liabilities	
Accounts Payable	118,944
Accrued Wages and Benefits Payable	1,966,283
Intergovernmental Payable	753,364
Accrued Interest Payable	18,860
Deferred Revenue	4,353,306
Claims Payable	378,880
Long-Term Liabilities:	
Due Within One Year	527,283
Due In More Than One Year	<u>6,800,261</u>
<i>Total Liabilities</i>	<u>14,917,181</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	35,295,196
Restricted for:	
Debt Service	2,024,525
Capital Projects	1,726,463
Bus Purchase	10,656
Textbooks	16,843
Food Service	6,477
State Programs	49,899
Music Supplies:	
Non-Expendable	500
Expendable	1,995
Other Purposes	255,353
Unrestricted	<u>424,104</u>
<i>Total Net Assets</i>	<u><u>\$39,812,011</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net Expense and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$11,215,867	\$641,298	\$6,515	(\$10,568,054)
Special	3,439,405	26,616	994,633	(2,418,156)
Vocational	139,179	0	92,780	(46,399)
Adult/Continuing	13,493	0	0	(13,493)
Student Intervention Services	305,736	0	0	(305,736)
Support Services:				
Pupils	1,110,465	0	169,803	(940,662)
Instructional Staff	1,397,219	0	916,107	(481,112)
Board of Education	71,420	0	0	(71,420)
Administration	1,668,784	0	146,885	(1,521,899)
Fiscal	536,186	0	168,880	(367,306)
Business	92,440	0	0	(92,440)
Operation and Maintenance of Plant	2,420,521	150	97,804	(2,322,567)
Pupil Transportation	1,215,294	0	0	(1,215,294)
Central	279,127	0	153,791	(125,336)
Food Service Operations	1,187,596	272,958	899,317	(15,321)
Community Services	49,828	0	66,938	17,110
Other Non-Instructional Services	21,390	0	6,867	(14,523)
Extracurricular Activities	563,839	243,231	0	(320,608)
Interest and Fiscal Charges	298,187	0	0	(298,187)
<i>Totals</i>	<u>\$26,025,976</u>	<u>\$1,184,253</u>	<u>\$3,720,320</u>	<u>(21,121,403)</u>
General Revenues				
Property Taxes Levied For:				
				5,046,010
				676,565
				71,165
Grants and Entitlements not				
				13,810,264
Gifts and Donations not Restricted				
				24,529
				42,359
				49,508
				<u>19,720,400</u>
				(1,401,003)
				<u>41,213,014</u>
				<u>\$39,812,011</u>

See accompanying notes to the basic financial statements

Cambridge City School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,211,244	\$1,758,311	\$1,304,789	\$914,013	\$5,188,357
Cash and Cash Equivalents in Segregated Accounts				554	554
Investments in Segregated Accounts	15,449	0	0	0	15,449
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	27,499	0	0	0	27,499
Receivables:					
Property Taxes	5,961,814	809,824	0	84,309	6,855,947
Accounts	20,882	0	0	39,081	59,963
Intergovernmental	0	0	0	386,848	386,848
Interfund	31,570	0	0	0	31,570
Prepaid Items	84,076	0	0	2,168	86,244
Inventory Held for Resale	0	0	0	10,725	10,725
Materials and Supplies Inventory	57,265	0	0	2,760	60,025
<i>Total Assets</i>	<u>\$7,409,799</u>	<u>\$2,568,135</u>	<u>\$1,304,789</u>	<u>\$1,440,458</u>	<u>\$12,723,181</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$65,317	\$0	\$0	\$53,627	\$118,944
Accrued Wages and Benefits Payable	1,722,339	0	0	243,944	1,966,283
Intergovernmental Payable	627,040	0	0	126,324	753,364
Interfund Payable	0	0	0	31,570	31,570
Deferred Revenue	4,826,571	652,824	0	167,543	5,646,938
<i>Total Liabilities</i>	<u>7,241,267</u>	<u>652,824</u>	<u>0</u>	<u>623,008</u>	<u>8,517,099</u>
Fund Balances					
Reserved for Encumbrances	477,605	0	0	291,173	768,778
Reserved for Property Taxes	1,155,000	157,000	0	16,000	1,328,000
Reserved for Textbooks	16,843	0	0	0	16,843
Reserved for Bus Purchase	10,656	0	0	0	10,656
Reserved for Endowment	0	0	0	500	500
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	(1,491,572)	0	0	0	(1,491,572)
Special Revenue Funds	0	0	0	105,286	105,286
Debt Service Fund	0	1,758,311	0	0	1,758,311
Capital Projects Funds	0	0	1,304,789	402,496	1,707,285
Permanent Fund	0	0	0	1,995	1,995
<i>Total Fund Balances</i>	<u>168,532</u>	<u>1,915,311</u>	<u>1,304,789</u>	<u>817,450</u>	<u>4,206,082</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,409,799</u>	<u>\$2,568,135</u>	<u>\$1,304,789</u>	<u>\$1,440,458</u>	<u>\$12,723,181</u>

See accompanying notes to the basic financial statements

Cambridge City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances		\$4,206,082
 <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.		40,944,588
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,174,641	
Grants	60,153	
Tuition and Fees	39,081	
Extracurricular Activities	19,757	
Total	1,293,632	1,293,632
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.		(18,860)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		47,464
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds - Serial	5,600,000	
Premium	351,374	
Discount	(41,451)	
General Obligation Bonds - Capital Appreciation	140,000	
Accretion on Capital Appreciation Bonds Interest	254,386	
Deferred Amount on Refunding	(388,554)	
Capital Leases	35,487	
Compensated Absences Payable	1,376,302	
Total	(7,327,544)	(7,327,544)
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.		666,649
<i>Net Assets of Governmental Activities</i>		\$39,812,011

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$4,112,960	\$559,010	\$0	\$59,007	\$4,730,977
Intergovernmental	13,160,393	167,704	0	4,473,183	17,801,280
Interest	16,642	70	16,744	1,743	35,199
Tuition and Fees	656,044	0	0	20,817	676,861
Rent	150	0	0	652	802
Extracurricular Activities	20,390	0	0	202,432	222,822
Gifts and Donations	0	0	0	24,529	24,529
Customer Sales and Services	0	0	0	272,958	272,958
Miscellaneous	48,960	0	0	6,451	55,411
<i>Total Revenues</i>	<u>18,015,539</u>	<u>726,784</u>	<u>16,744</u>	<u>5,061,772</u>	<u>23,820,839</u>
Expenditures					
Current:					
Instruction:					
Regular	9,453,825	0	0	963,824	10,417,649
Special	2,155,602	0	0	1,078,400	3,234,002
Vocational	137,161	0	0	0	137,161
Adult/Continuing	13,493	0	0	0	13,493
Student Intervention Services	283,063	0	0	0	283,063
Support Services:					
Pupils	834,378	0	0	190,449	1,024,827
Instructional Staff	299,742	0	0	991,581	1,291,323
Board of Education	69,554	0	0	0	69,554
Administration	1,359,594	0	0	146,657	1,506,251
Fiscal	486,557	22,618	0	2,396	511,571
Business	84,596	0	0	0	84,596
Operation and Maintenance of Plant	2,130,426	0	0	197,903	2,328,329
Pupil Transportation	1,184,784	0	0	0	1,184,784
Central	254,137	0	0	8,224	262,361
Food Service Operations	0	0	0	1,047,472	1,047,472
Community Services	231	0	0	49,227	49,458
Other Non-Instructional Services	580	0	0	13,709	14,289
Extracurricular Activities	277,820	0	0	226,686	504,506
Capital Outlay	12,951	0	0	10,480	23,431
Debt Service:					
Principal Retirement	9,351	355,000	0	0	364,351
Interest and Fiscal Charges	3,731	245,856	0	0	249,587
<i>Total Expenditures</i>	<u>19,051,576</u>	<u>623,474</u>	<u>0</u>	<u>4,927,008</u>	<u>24,602,058</u>
<i>Net Change in Fund Balances</i>	(1,036,037)	103,310	16,744	134,764	(781,219)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,204,569</u>	<u>1,812,001</u>	<u>1,288,045</u>	<u>682,686</u>	<u>4,987,301</u>
<i>Fund Balances End of Year</i>	<u>\$168,532</u>	<u>\$1,915,311</u>	<u>\$1,304,789</u>	<u>\$817,450</u>	<u>\$4,206,082</u>

See accompanying notes to the basic financial statements

Cambridge City School District
*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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$781,219)

*Amounts reported for governmental activities in the statement of activities
are different because*

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 expense exceeded capital outlay in the current period.

Capital Asset Additions	127,177	
Depreciation Expense	<u>(1,250,022)</u>	
Total		(1,122,845)

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities. (35,539)

Revenues or reductions in expenditures in the statement of activities that do not provide current financial resources are not reported in the funds:

Property Taxes	1,062,763	
Intergovernmental	(270,696)	
Tuition and Fees	(8,947)	
Extracurricular Activities	19,757	
Miscellaneous Revenue	<u>(5,903)</u>	
Total		796,974

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

General Obligation Bonds	355,000	
Capital Leases	<u>9,351</u>	
Total		364,351

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	2,780	
Capital Appreciation Bond Premium	56,567	
Amortization of Discount	(3,337)	
Amortization of Serial Bond Premium	8,138	
Amortization of Deferred Amount on Refunding	(31,280)	
Amortization of Issuance Costs	(3,821)	
Accretion of Interest	<u>(77,647)</u>	
Total		(48,600)

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. (110,310)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change in net assets of the internal service fund is reported with governmental activities. (463,815)

Change in Net Assets of Governmental Activities (\$1,401,003)

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,206,000	\$5,126,000	\$5,225,462	\$99,462
Intergovernmental	13,580,700	13,067,942	13,159,484	91,542
Interest	42,650	17,650	15,587	(2,063)
Tuition and Fees	726,000	636,000	657,044	21,044
Rent	0	150	150	0
Extracurricular Activities	31,000	31,000	20,390	(10,610)
Miscellaneous	0	7,666	43,391	35,725
<i>Total Revenues</i>	19,586,350	18,886,408	19,121,508	235,100
Expenditures				
Current:				
Instruction:				
Regular	10,119,406	9,570,990	9,794,119	(223,129)
Special	1,991,371	2,538,195	2,074,831	463,364
Vocational	243,756	252,487	143,519	108,968
Adult/Continuing	13,193	13,665	13,493	172
Student Intervention Services	818,917	313,537	289,857	23,680
Support Services:				
Pupils	904,381	936,773	890,136	46,637
Instructional Staff	342,491	354,758	264,022	90,736
Board of Education	62,489	64,727	89,469	(24,742)
Administration	1,388,183	1,437,903	1,385,077	52,826
Fiscal	457,263	473,641	481,179	(7,538)
Business	139,812	144,819	98,541	46,278
Operation and Maintenance of Plant	2,097,565	2,172,693	2,260,298	(87,605)
Pupil Transportation	1,133,149	1,143,368	1,216,156	(72,788)
Central	198,469	205,577	278,635	(73,058)
Operation of Non-Instructional Services	1,270	1,316	704	612
Extracurricular Activities	288,667	299,006	301,360	(2,354)
Capital Outlay	0	0	12,951	(12,951)
<i>Total Expenditures</i>	20,200,382	19,923,455	19,594,347	329,108
<i>Excess of Revenues Under Expenditures</i>	(614,032)	(1,037,047)	(472,839)	564,208
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	5,500	5,500	6,261	761
Refund of Prior Year Receipts	0	0	(306)	(306)
<i>Total Other Financing Sources (Uses)</i>	5,500	5,500	5,955	455
<i>Net Change in Fund Balance</i>	(608,532)	(1,031,547)	(466,884)	564,663
<i>Fund Balance Beginning of Year</i>	637,151	637,151	637,151	0
Prior Year Encumbrances Appropriated	590,773	590,773	590,773	0
<i>Fund Balance End of Year</i>	\$619,392	\$196,377	\$761,040	\$564,663

See accompanying notes to the basic financial statements

Cambridge City School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2010

	Governmental Activity <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$734,036
Cash and Cash Equivalents in Segregated Accounts	<u>311,493</u>
<i>Total Assets</i>	<u>1,045,529</u>
Current Liabilities	
Claims Payable	<u>378,880</u>
<i>Total Liabilities</i>	<u>378,880</u>
Net Assets	
Unrestricted	<u><u>\$666,649</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity Internal Service Fund
Operating Revenues	
Charges for Services	\$3,843,504
<i>Total Operating Revenues</i>	3,843,504
Operating Expenses	
Purchased Services	278,941
Claims	4,035,538
<i>Total Operating Expenses</i>	4,314,479
<i>Operating Loss</i>	(470,975)
Non-Operating Revenues	
Interest	7,160
<i>Net Change in Net Assets</i>	(463,815)
<i>Net Assets Beginning of Year</i>	1,130,464
<i>Net Assets End of Year</i>	\$666,649

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,848,549
Cash Payments for Goods and Services	(289,941)
Cash Payments for Claims	(4,136,658)
	(578,050)
Cash Flows from Investing Activities	
Interest	7,160
	(570,890)
<i>Net Decrease in Cash and Cash Equivalents</i>	(570,890)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,616,419
	\$1,045,529
	\$1,045,529
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	(\$470,975)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	5,045
Decrease in Accounts Payable	(11,000)
Decrease in Claims Payable	(101,120)
	(107,075)
Net Cash Used For Operating Activities	(\$578,050)

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$427,787	\$27,356
Cash and Cash Equivalents in Segregated Accounts	41,885	0
<i>Total Assets</i>	469,672	\$27,356
Liabilities		
Due to Students	0	\$27,356
Net Assets		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	135,957	
Total Net Assets	\$469,672	

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	Private Purpose Trust
Additions	
Gifts and Contributions	\$14,390
Interest	3,390
Miscellaneous	<u>794</u>
<i>Total Additions</i>	18,574
Deductions	
Payments in Accordance with Trust Agreements	<u>28,775</u>
<i>Change in Net Assets</i>	(10,201)
<i>Net Assets Beginning of Year</i>	<u>479,873</u>
<i>Net Assets End of Year</i>	<u><u>\$469,672</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Cambridge City School District (the 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 three support facilities staffed by 113 classified employees and 182 certified personnel, who provide services to 2,469 students and other community members.

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 the School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the Mid-East Career and Technology Centers, the Metropolitan Educational Council (MEC), the Educational Regional Service System 12 (ERSS), and the Coalition of Rural and Appalachian Schools (CORAS), which are jointly governed organizations, and the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Self-Insurance Plan which is defined as a risk sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 17 and 18 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.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 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 following are the School District's major governmental funds:

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 Bond Retirement Fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Building Fund The Building Fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through the Ohio School Facilities Commission and locally funded initiatives.

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 medical, prescription drug, dental and vision 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.

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)

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010, but which were levied to finance fiscal year 2011 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. 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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 separate bank accounts for self-insurance and athletic monies. The self-insurance account includes money that is distributed for medical/surgical, prescription drug and dental claims. The athletic account monies are kept separate from the School District treasury. These accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts."

During fiscal year 2010, investments were limited to STAROhio and common stock. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010. Investments in common stock are stated at fair value.

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 2010 amounted to \$16,642, which includes \$11,275 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. The School District reports the change in fair value of investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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.

H. 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.

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

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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

I. 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 on of the statement of net assets.

J. 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 in the General Fund represent unexpended revenues restricted for the purchase of buses and amounts required by State Statue to be set-aside by the School District for the purchase of textbooks and other instructional materials.

K. Compensated Absences

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

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.

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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.

L. Accrued Liabilities and Long-term Obligations

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

In general, 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 and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Activity

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.

N. 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, textbook and instructional materials, bus purchases, and endowment.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbook and instructional materials is for amounts required to be set-aside by State Statute for the purchase of these materials. The reserve for bus purchases is for State grant funds required to be utilized for the purchase of school buses. The reserve for endowment is for amounts that cannot be spent for permanent funds in accordance with trust agreements.

O. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as

Cambridge City School District
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liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation enacted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources from local sources restricted to expenditures for student programs and underground storage tank deductibles. Of the total restricted net assets, none has resulted from enabling legislation.

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

Q. 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 and other operating revenues of the 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.

R. 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.

S. 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
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T. 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 / Restatements

A. Changes in Accounting Principles

For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will

Cambridge City School District
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allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

B. Restatement of Fund Balance

In prior years, the Building Fund has been reported as other governmental fund. During 2010, the Building Fund will be presented as a major fund. The prior year balance is presented as a reconciling item in the table below for comparability between years.

	Major Fund Building Fund	Other Governmental Funds
Fund Balance at June 30, 2009	\$0	\$1,970,731
Building Fund	1,288,045	(1,288,045)
Restated Fund Balance at June 30, 2009	\$1,288,045	\$682,686

Note 4 - Deficit Fund Balances

The Fiscal Stabilization Special Revenue Fund had deficit fund balance as of June 30, 2010, of \$122,962. The deficit was created by the application of generally accepted accounting principles. 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 Balance - 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).

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3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included on the budgetary statement, but reported on the operating statement prepared using GAAP.
5. Adjustment to record investments at market value are reported on the balance sheet (GAAP basis) but not on budget basis.

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$1,036,037)
Revenue Accruals	1,128,074
Market Value Adjustment	(13,711)
Expenditure Accruals	(34,199)
Unrecorded Cash	(2,133)
Encumbrances	(508,878)
Budget Basis	(\$466,884)

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

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agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in 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 division (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, the School District's bank balance of \$6,701,968 was fully insured by the FDIC under the temporary transaction account guarantee (TAG) program.

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, 2010, the School District had the following investments, all of which are part of the internal investment pool:

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	<u>Fair Value</u>	<u>Maturity</u>	<u>S&P Rating</u>	<u>Percent of Total Investments</u>
JPMorgan Chase & Co. Common Stock	\$15,449	N/A	N/R	98.68%
STAROhio	<u>207</u>	56 Days	AAAm	<u>1.32%</u>
Total	<u><u>\$15,656</u></u>			<u><u>100.00%</u></u>

Credit Risk Star Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The investments in common stock are donated investments, and were not purchased by the School District.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 revenues received in calendar year 2010 represent collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase

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out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$1,328,000. \$1,155,000 was available in the General Fund, \$16,000 in the Classroom Facilities Maintenance Special Revenue Fund, and \$157,000 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2009, was \$2,610,423. \$2,267,502 was available in the General Fund, \$31,991 in the Classroom Facilities Maintenance Special Revenue Fund, and \$310,930 in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$201,242,480	92.86%	\$197,748,690	90.83%
Public Utility Personal	15,479,700	7.14%	19,965,980	9.17%
Total	\$216,722,180	100.00%	\$217,714,670	100.00%
Tax Rate per \$1,000 of assessed valuation	\$39.62		\$39.62	

Note 8 - Receivables

Receivables at June 30, 2010, 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,174,641 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

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Governmental Activities:	
School Lunch and Breakfast	\$24,884
Early Childhood Education	57,630
Idea - Part B	85,303
Title I	173,759
Title I School Improvement	8,446
Title I Delinquent	6,847
Safe and Drug Free	457
Title II-A	29,522
	<u>\$386,848</u>

Note 9 - Interfund Balances

Interfund balances at June 30, 2010, consist of the following interfund receivables and payables:

	Interfund Receivable
<u>Interfund Payable</u>	General Fund
Other Governmental Funds	<u>\$31,570</u>

Actual cash deficit balances in the Miscellaneous Federal Grants Fund and the State Grants Fund were covered by a loan from the General Fund to support the programs until the grant monies are received.

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 2010, the School District purchased the following coverage through Barengo Insurance Agency:

Property Blanket	\$72,448,000	
General Liability	\$3,000,000	annual aggregate
Inland Marine	\$10,000-\$500,000	\$250 deductible
Commercial Crime	\$25,000-\$100,000	\$500-\$1,000 deductible
Commerical Automobile	\$5,000-\$1,000,000	each accident
Umbrella	\$5,000,000	annual aggregate

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. The School District pays the State a rate per \$100 of salaries for workers' compensation.

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B. Employee Medical Benefits

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

All employees were covered for medical/surgical, prescription drug, and dental coverage through the OME-RESA self-insured plan. The Board pays 90 percent of premiums for all medical/surgical and prescription drug coverage and 10 percent of the premium for dental coverage. The monthly cost of premiums is \$547.02 for single coverage and \$1,256.68 for family coverage on medical/surgical and prescription drug coverage for certified employees and \$556.22 for single coverage and \$1,277.83 for family coverage on medical/surgical and prescription drug coverage for the classified staff. The total monthly cost of the premiums for dental coverage is \$27.40 for single and \$62.95 for family coverage.

The claims liability of \$378,880 reported in the internal service fund at June 30, 2010 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 claims activity for the past two fiscal years are as follows:

Year	Year	Claims	Payments	End of Year
2009	\$587,000	\$2,790,422	\$2,897,422	\$480,000
2010	480,000	4,035,538	4,136,658	378,880

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 240 days for classified employees.

Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 180 unused sick leave days, or a maximum payment of 45 days, plus one day of severance pay for each ten days of accumulated sick leave beyond 180 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.

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B. Life Insurance

The School District provides life insurance to contracted employees through SunLife 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, 2010, was as follows:

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10
Governmental Activities:				
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	42,370,602	5,175	(10,725)	42,365,052
Furniture and Fixtures	573,795	0	(49,020)	524,775
Machinery and Equipment	1,262,040	49,473	0	1,311,513
Vehicles	1,430,874	72,529	(57,859)	1,445,544
Total capital assets being depreciated	<u>46,293,367</u>	<u>127,177</u>	<u>(117,604)</u>	<u>46,302,940</u>
Accumulated depreciation				
Land Improvements	(175,862)	(32,803)	0	(208,665)
Buildings and Improvements	(6,971,041)	(1,046,113)	10,725	(8,006,429)
Furniture and Fixtures	(132,039)	(23,975)	13,481	(142,533)
Machinery and Equipment	(704,153)	(83,486)	0	(787,639)
Vehicles	(1,238,639)	(63,645)	57,859	(1,244,425)
Total accumulated depreciation	<u>(9,221,734)</u>	<u>(1,250,022) *</u>	<u>82,065</u>	<u>(10,389,691)</u>
Capital assets being depreciated, net	<u>37,071,633</u>	<u>(1,122,845)</u>	<u>(35,539)</u>	<u>35,913,249</u>
Governmental Activities capital assets, net	<u>\$42,102,972</u>	<u>(\$1,122,845)</u>	<u>(\$35,539)</u>	<u>\$40,944,588</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$430,966
Special	187,564
Vocational	9,131
Intervention	13,421
Support Services:	
Pupils	48,711
Instructional Staff	65,339
Board of Education	1,866
Administration	82,163
Fiscal	22,619
Business	7,012
Operation and Maintenance of Plant	112,445
Pupil Transportation	65,399
Central	23,235
Extracurricular Activities	59,333
Operation of Non-Instructional Services	7,101
Food Service Operations	113,717
Total Depreciation Expense	<u>\$1,250,022</u>

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 2010, 12.74 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, 2010, 2009, and 2008, were \$404,959, \$230,980 and \$201,578, respectively; 48.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - For the fiscal year ended June 30, 2010, 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 2009, 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, 2010, 2009, and 2008, were \$1,384,292, \$1,343,849 and \$1,247,111, respectively; 78.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$30,717 made by the School District and \$21,941 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, 2010, 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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010, 0.50 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 2010, this amount was \$35,800.

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, 2010, 2009, and 2008, were \$15,893, \$142,936, and \$146,924, respectively; 12.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$24,158, \$20,261, and \$15,057, respectively; 50.89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, 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, 2010, 2009, and 2008, were \$101,559, \$102,745, and \$95,932, respectively; 78.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Capital Leases

In prior years, the School District has entered into capitalized leases for two copying equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from operation and maintenance of plant support services expenditures to principal and interest debt service expenditures in the basic financial statements for the General Fund.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$52,690, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$36,884. Principal payments in fiscal year 2010 totaled \$9,351, in the governmental funds. Future minimum lease payments through fiscal year 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$10,247	\$2,835
2012	11,228	1,854
2013	12,305	778
2014	<u>1,707</u>	<u>17</u>
Totals	<u>\$35,487</u>	<u>\$5,484</u>

Note 16 - Long Term Obligations

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Principal Outstanding 6/30/09	Additions	Reductions	Principal Outstanding 6/30/10	Amounts Due in One Year
Governmental Activities:					
2000 Classroom Facilities					
Construction and Improvement GO Bonds:					
Serial Bonds - 4.20-5.40%	\$655,000	\$0	\$320,000	\$335,000	\$335,000
2005 Classroom Facilities Refunding Bonds:					
Serial Bonds - 3.25%-5.5%	5,300,000	0	35,000	5,265,000	65,000
Original Issue of Capital Appreciation					
Bonds - 22.66%-23.63%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	176,739	77,647	0	254,386	0
Premium on Capital Appreciation Bonds	306,857	0	56,567	250,290	0
Deferred Amount on Refunding	(419,834)	0	(31,280)	(388,554)	0
Premium on Serial Bonds	109,222	0	8,138	101,084	0
Discount	(44,788)	0	(3,337)	(41,451)	0
Total 2005 Bonds	5,568,196	77,647	65,088	5,580,755	65,000
Total Bonds	6,223,196	77,647	385,088	5,915,755	400,000
Capital Leases	44,838	0	9,351	35,487	10,247
Compensated Absences	1,265,992	229,755	119,445	1,376,302	117,036
Total Governmental Activities	\$7,534,026	\$307,402	\$513,884	\$7,327,544	\$527,283

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 Food Service, State Grants, and Federal Grants Special Revenue Funds.

On April 18, 2000, the 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. A portion of the bonds were refunded in fiscal year 2006 (see discussion below). The liability for the remaining serial bonds is recorded in the Statement of Net Assets with the annual principal and interest requirements being paid from the Bond Retirement Debt Service Fund.

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, 2010, \$5,831,073 remains in this account. \$5,745,000 of refunded bonds was considered defeased and the liability was removed from the statement of net assets. The defeased bonds were called and fully repaid in December, 2010 (see Subsequent Event Note 22 for further details).

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 \$56,567 was amortized in fiscal year 2010. The capital appreciation bonds will mature in fiscal year 2014. The maturity amount of the bonds is \$940,000. For the fiscal year 2010, \$77,647 was accreted for a total bond value of \$394,386.

The issuance costs, \$47,464 are reported as deferred charges and are being amortized over the life of the bonds, using the straight-line method. The amortization of the issuance costs for 2010 was \$3,821.

The overall debt margin of the School District as of June 30, 2010, was \$15,738,877, with an unvoted debt margin of \$217,373.

Principal and interest requirements to retire the 2000 bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	2000 Bonds	
	Serial	
	Principal	Interest
Ending		
2011	\$335,000	\$8,626

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	2005 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
Ending				
2011	\$65,000	\$218,737	\$0	\$0
2012	425,000	210,163	0	0
2013	440,000	190,624	0	0
2014	0	178,525	75,000	395,000
2015	0	178,525	65,000	405,000
2016-2020	2,545,000	635,349	0	0
2021-2023	1,790,000	109,200	0	0
	\$5,265,000	\$1,721,123	\$140,000	\$800,000

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.

Note 17 - 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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

School District for the fiscal year 2010 was \$61,921. 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. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 22 for further details.

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 2010, 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 jointly governed organization. The organization is composed of over 166 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering several counties in greater Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board is comprised of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership fee was \$941 for fiscal year 2010. During fiscal year 2010, the total amount paid to MEC from the School District was \$183,259 for cooperative gas purchasing services. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, fiscal officer, 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

D. Educational Regional Service System Region 12

Educational Regional Service System Region 12 - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

E. Coalition of Rural and Appalachian Schools (CORAS)

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2010.

Note 18 – Risk Sharing, Claims Servicing, and Insurance Purchasing Pool

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Sun Life.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - 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, 2010.

B. Litigation

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

Note 20 - 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.

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

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, 2009	\$0	\$0
Current Year Set-aside Requirement	401,740	401,740
Excess Qualified Expenditures from Prior Years	0	(2,559)
Current Year Offsets	(788,007)	0
Current Year Qualifying Disbursements	(266,363)	(382,338)
Total	(\$652,630)	\$16,843
 Set-aside Reserve Balance as of June 30, 2010	 \$0	 \$16,843

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-asides below zero, which may not be carried forward to future fiscal years. The total reserve balance for the two set-asides at the end of the fiscal year was \$16,843.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 21 - 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 \$135,957 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.

Note 22 – Subsequent Events

A. Council of Governments

Effective July 1, 2010, the information technology portion of the OME-RESA consortium has been dissolved. On July 1, 2010, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (OME-RESA Council) was established pursuant to Ohio Revised Code Section 167.01. The Board of Education of Cambridge City School District has passed a resolution approving membership in the OME-RESA Council and is currently receiving information technology services through the Council.

B. School Employees Retirement System

Effective July 1, 2010, the SERS has changed the Ohio Department of Education Foundation Program deductions for traditional public schools from a calendar year basis, six month in arrears, to a fiscal year basis, which will coincide with the participating School Districts' fiscal year. As a result, the Foundation deductions which would have been collected six months in arrears became due June 30, 2010. The School District will have the balance due paid in equal installments over a six year period beginning July, 2010.

C. Federal Grant

The School District has been approved for \$660,031 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

D. Defeased Debt

The School District's defeased debt was called and fully repaid on December 1, 2010, and the irrevocable trust account was closed.

E. Workers Compensation

The Board of Education passed a resolution on September 21, 2010 approving the Northern Buckeye Educational Council Group Rating Agreement of Participation and Consent dealing with Workers Compensation Group Retro for calendar year 2011.

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**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance: (Food Distribution)				
National School Lunch Program	043695-LLP4-10	10.555	\$41,570	\$41,570
Cash Assistance:				
School Breakfast Program	043695-05PU-10	10.553	198,539	198,539
National School Lunch Program	043695-LLP4-10	10.555	552,190	552,190
Summer Food Service Program for Children	043695-10	10.559	2,011	2,011
Cash Assistance Subtotal			<u>752,740</u>	<u>752,740</u>
Total U.S. Department of Agriculture / Child Nutrition Cluster			794,310	794,310
U.S. DEPARTMENT OF EDUCATION				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	043695-C1S1-09	84.010	(48,230)	129,941
	043695-C1S1-10		<u>901,684</u>	<u>911,419</u>
Title I Grants to Local Educational Agencies Subtotal			853,454	1,041,360
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	043695-C1S1-10	84.389	<u>231,709</u>	<u>234,464</u>
Total Title I Cluster			1,085,163	1,275,824
Title I Delinquent Program Cluster:				
Title I Program for Neglected and Delinquent Children	043695-C1SD-09	84.013	(2,868)	55
	043695-C1SD-10		<u>6,978</u>	<u>13,710</u>
Title I Program for Neglected and Delinquent Children Subtotal			4,110	13,765
ARRA - Title I Program for Neglected and Delinquent Children, Recovery Act	043695-C1SD-10	84.013	<u>5,000</u>	<u>5,000</u>
Total Title I Delinquent Program Cluster			9,110	18,765
Special Education Cluster:				
Special Education, Grants to States	043695-6BSF-09	84.027	(23,636)	83,827
	043695-6BSF-10		<u>474,966</u>	<u>489,976</u>
Special Education, Grants to States Subtotal			451,330	573,803
ARRA - Special Education, Grants to States	043695-6BSF-10	84.391	<u>300,341</u>	<u>269,801</u>
Total Special Education Cluster			751,671	843,604
Safe and Drug-Free Schools and Communities, State Grants				
	043695-DRS1-09	84.186	(39)	
	043695-DRS1-10		<u>14,840</u>	<u>14,840</u>
Total Safe and Drug-Free Schools and Communities, State Grants			14,801	14,840
Innovative Education Program Strategies	043695-C2S1-09	84.298		8
Education Technology State Grants	043695-TJS1-09	84.318	2,392	4,201
	043695-TJS1-10		<u>9,125</u>	<u>9,025</u>
Total Education Technology State Grants			11,517	13,226
Rural and Low Income Education	043695-RUS1-2009	84.358	(3,988)	4,321
	043695-RUS1-2010		<u>87,719</u>	<u>80,498</u>
Total Rural and Low Income Education			83,731	84,819
Improving Teacher Quality State Grants	043695-TRS1-09	84.367	4,166	47,483
	043695-TRS1-10		<u>180,686</u>	<u>185,006</u>
Total Improving Teacher Quality State Grants			184,852	232,489
Title I Program for for School Improvement	043695-C1SI-09	84.377	(87)	10,713
	043695-C1SI-09C		947	947
	043695-C1SI-10		<u>51,554</u>	<u>60,000</u>
Total Title I Program for for School Improvement			52,414	71,660
ARRA - State Fiscal Stabilization Fund	N/A	84.394	<u>799,589</u>	<u>799,589</u>
Total U.S. Department of Education			<u>2,992,848</u>	<u>3,354,824</u>
Total Federal Awards Receipts and Expenditures			<u>\$3,787,158</u>	<u>\$4,149,134</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of the Schedule.

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$ 48,230
Title I Program for Neglected and Delinquent Children	84.013	2,868
Special Education, Grants to States	84.027	23,636
Safe and Drug-Free Schools and Communities	84.186	39
Rural and Low Income Education	84.358	3,988
Title I Program for School Improvement	84.377	87



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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 the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

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

Dave Yost
Auditor of State

February 28, 2011



Dave Yost • 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' Government Auditing Standards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with 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 each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 28, 2011

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies – CFDA's #84.010 and #84.389 Special Education Cluster: Special Education, Grants to States – CFDA's #84.027 and #84.391 State Fiscal Stabilization Fund, Education State Grants, Recovery Act – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None



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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
MARCH 31, 2011**