



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, 2012, 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, 2012, 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 20, 2013, 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 20, 2013

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The discussion and analysis of the Cambridge City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2012 are as follows:

- Net assets of governmental activities decreased \$1,286,953.
- General revenues accounted for \$19,616,861 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 \$4,970,254 or 20 percent of total revenues of \$24,587,115.
- Total assets decreased \$1,620,978. Intergovernmental receivables and capital assets are the components comprising the majority of this decrease.
- The School District had \$25,874,068 in expenses related to governmental activities; only \$4,970,254 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$19,616,861 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 Cambridge City 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 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, 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 and Bond Retirement Debt Service Fund.

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

***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 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. 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.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

(Table 1)  
 Net Assets

|  | Governmental Activities |                     |                      |
|--|-------------------------|---------------------|----------------------|
|  | 2012                    | 2011                | Change               |
| <b>Assets</b>                                      |                         |                     |                      |
| Current and Other Assets                           | \$15,506,212            | \$15,967,482        | (\$461,270)          |
| Capital Assets, Net                                | 38,611,584              | 39,771,292          | (1,159,708)          |
| <i>Total Assets</i>                                | <u>54,117,796</u>       | <u>55,738,774</u>   | <u>(1,620,978)</u>   |
| <b>Liabilities</b>                                 |                         |                     |                      |
| Current and Other Liabilities                      | 7,369,296               | 7,365,621           | 3,675                |
| Long-Term Liabilities                              |                         |                     |                      |
| Due Within One Year                                | 534,684                 | 567,314             | (32,630)             |
| Due in More Than One Year                          | 6,441,247               | 6,746,317           | (305,070)            |
| <i>Total Liabilities</i>                           | <u>14,345,227</u>       | <u>14,679,252</u>   | <u>(334,025)</u>     |
| <b>Net Assets</b>                                  |                         |                     |                      |
| Invested in Capital Assets,<br>Net of Related Debt | 33,535,361              | 34,201,140          | (665,779)            |
| Restricted   | 4,748,097               | 5,200,093           | (451,996)            |
| Unrestricted                                       | 1,489,111               | 1,658,289           | (169,178)            |
| <i>Total Net Assets</i>                            | <u>\$39,772,569</u>     | <u>\$41,059,522</u> | <u>(\$1,286,953)</u> |

Total assets decreased \$1,620,978. Current assets decreased \$461,270 due primarily to federal funding for a temporary jobs retention grant being phased out during fiscal year 2012. A listing of grants receivable can be found in Note 8 to the basic financial statements. Capital assets decreased in the amount of \$1,159,708. This is the result of depreciation exceeding capitalizations in the current period.

Total liabilities decreased by \$334,025. The majority of this decrease is attributable to the current year debt service payments on outstanding bond and lease liabilities.

Total net assets of the School District's governmental activities decreased \$1,286,953. Invested in capital assets net of related debt decreased \$665,779, due primarily to capital assets depreciation expense and due to the changes in long-term liabilities related to capital assets. Changes in restricted and unrestricted net assets are the result of the overall changes in assets and liabilities as indicated previously.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
**Unaudited**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, compared to June 30, 2011.

(Table 2)  
 Changes in Net Assets

|  | Governmental<br>Activities |                     | Change               |
|--|----------------------------|---------------------|----------------------|
|  | 2012                       | 2011                |                      |
| <b>Revenues</b>                                  |                            |                     |                      |
| Program Revenues                                 |                            |                     |                      |
| Charges for Services                             | \$1,146,347                | \$1,167,824         | (\$21,477)           |
| Operating Grants, Contributions,<br>and Interest | 3,822,182                  | 4,513,172           | (690,990)            |
| Capital Grants, Contributions, and Interest      | 1,725                      | 56,603              | (54,878)             |
| Total Program Revenues                           | <u>4,970,254</u>           | <u>5,737,599</u>    | <u>(767,345)</u>     |
| General Revenues                                 |                            |                     |                      |
| Property Taxes                                   | 5,964,884                  | 7,002,452           | (1,037,568)          |
| Grants and Entitlements                          | 13,410,991                 | 14,892,487          | (1,481,496)          |
| Interest   | 13,935                     | 31,146              | (17,211)             |
| Gain on Sale of Capital Assets                   | 1,700                      | 0                   | 1,700                |
| Miscellaneous                                    | 225,351                    | 204,497             | 20,854               |
| Total General Revenues                           | <u>19,616,861</u>          | <u>22,130,582</u>   | <u>(2,513,721)</u>   |
| Total Revenues                                   | <u>24,587,115</u>          | <u>27,868,181</u>   | <u>(3,281,066)</u>   |
| <b>Program Expenses</b>                          |                            |                     |                      |
| Instruction:                                     |                            |                     |                      |
| Regular  | 11,875,265                 | 11,674,161          | 201,104              |
| Special  | 2,923,496                  | 3,366,575           | (443,079)            |
| Vocational                                       | 296,071                    | 290,628             | 5,443                |
| Adult/Continuing                                 | 14,117                     | 14,240              | (123)                |
| Student Intervention Services                    | 9,234                      | 25,972              | (16,738)             |
| Support Services:                                |                            |                     |                      |
| Pupils   | 1,284,102                  | 1,236,437           | 47,665               |
| Instructional Staff                              | 1,406,318                  | 1,514,014           | (107,696)            |
| Board of Education                               | 93,464                     | 73,694              | 19,770               |
| Administration                                   | 1,581,940                  | 1,535,364           | 46,576               |
| Fiscal   | 530,508                    | 519,089             | 11,419               |
| Business   | 38,670                     | 87,633              | (48,963)             |
| Operation and Maintenance of Plant               | 2,289,817                  | 2,412,363           | (122,546)            |
| Pupil Transportation                             | 1,298,400                  | 1,202,721           | 95,679               |
| Central  | 220,523                    | 247,946             | (27,423)             |
| Food Service Operations                          | 1,025,914                  | 1,049,166           | (23,252)             |
| Other Non-Instructional Services                 | 112,887                    | 112,865             | 22                   |
| Extracurricular Activities                       | 598,270                    | 602,435             | (4,165)              |
| Interest and Fiscal Charges                      | 275,072                    | 655,367             | (380,295)            |
| Total Expenses                                   | <u>25,874,068</u>          | <u>26,620,670</u>   | <u>(746,602)</u>     |
| Change in Net Assets                             | (1,286,953)                | 1,247,511           | (2,534,464)          |
| Net Assets Beginning of Year                     | <u>41,059,522</u>          | <u>39,812,011</u>   | <u>1,247,511</u>     |
| Net Assets End of Year                           | <u>\$39,772,569</u>        | <u>\$41,059,522</u> | <u>(\$1,286,953)</u> |

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

Property taxes made up approximately 30 percent of general revenues for governmental activities for the Cambridge City School District. Of the remaining general revenues, the School District receives 68 percent from state foundation and unrestricted federal and state grants, and 2 percent from interest and miscellaneous receipts. The School District experienced a significant decrease in property taxes from fiscal year 2011 to fiscal year 2012. The decrease is primarily due to a large decrease in the amount available as advance on the August property tax settlement.

Instruction comprises approximately 58 percent of governmental program expenses and reflected a \$253,393 decrease from fiscal year 2011. Overall, program expenses of the School District decreased by \$746,602, with the largest decrease being reflected in special instruction, due to the realignment of staff and staff attrition. Another large decrease in expenses is interest and fiscal charges due to a declining principal balance in the School District's outstanding debt.

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 2012 compared to fiscal year 2011. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)  
 Governmental Activities

|                                    | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                                    | 2012                      | 2012                    | 2011                      | 2011                    |
| <b>Program Expenses</b>            |                           |                         |                           |                         |
| Instruction:                       |                           |                         |                           |                         |
| Regular                            | \$11,875,265              | \$11,089,545            | \$11,674,161              | \$10,822,150            |
| Special                            | 2,923,496                 | 1,726,339               | 3,366,575                 | 1,802,130               |
| Vocational                         | 296,071                   | 202,595                 | 290,628                   | 197,152                 |
| Adult/Continuing                   | 14,117                    | 14,117                  | 14,240                    | 14,240                  |
| Student Intervention Services      | 9,234                     | 9,234                   | 25,972                    | 25,972                  |
| Support Services:                  |                           |                         |                           |                         |
| Pupils                             | 1,284,102                 | 1,068,112               | 1,236,437                 | 1,044,044               |
| Instructional Staff                | 1,406,318                 | 704,074                 | 1,514,014                 | 272,830                 |
| Board of Education                 | 93,464                    | 93,464                  | 73,694                    | 73,694                  |
| Administration                     | 1,581,940                 | 1,435,150               | 1,535,364                 | 1,402,331               |
| Fiscal                             | 530,508                   | 383,354                 | 519,089                   | 518,114                 |
| Business                           | 38,670                    | 38,670                  | 87,633                    | 87,633                  |
| Operation and Maintenance of Plant | 2,289,817                 | 2,128,890               | 2,412,363                 | 2,181,270               |
| Pupil Transportation               | 1,298,400                 | 1,242,654               | 1,202,721                 | 1,188,716               |
| Central                            | 220,523                   | 211,098                 | 247,946                   | 237,199                 |
| Food Service Operations            | 1,025,914                 | (123,557)               | 1,049,166                 | (82,208)                |
| Other Non-Instructional Services   | 112,887                   | 232                     | 112,865                   | 15,341                  |
| Extracurricular Activities         | 598,270                   | 404,771                 | 602,435                   | 427,096                 |
| Interest and Fiscal Charges        | 275,072                   | 275,072                 | 655,367                   | 655,367                 |
| <b>Total</b>                       | <b>\$25,874,068</b>       | <b>\$20,903,814</b>     | <b>\$26,620,670</b>       | <b>\$20,883,071</b>     |

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 86 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenue support is approximately 80 percent.

**The School District Major Funds**

Information about the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$19,919,232 and expenditures of \$19,864,822. The fund balance of the General Fund increased \$56,110 from fiscal year 2011. This minimal change shows the School District's continued efforts to keep expenditures in line with revenues which reflected a \$184,868 decrease from the prior year.

The Bond Retirement Debt Service Fund had total revenues of \$721,455, which exceeded expenditures of \$654,354, and resulted in an increase in fund balance in the amount of \$67,101 from fiscal year 2011. The revenues and expenditures in this fund are related to revenues and debt service expenditures in accordance with amortization schedules associated with the School District's outstanding debt.

***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 2012, the School District amended its General Fund estimated resources and the budgetary statement reflects both the original and final appropriated amounts. With the exception of intergovernmental and property tax revenues, 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 amounts. However, in total, expenditures in the General Fund were approximately 4 percent below final budgeted amounts leading to ending fund balance being \$1,271,181 higher than anticipated.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the School District had \$38,611,584 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2012 balances compared to 2011.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

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

|                            | Governmental Activities |              |
|----------------------------|-------------------------|--------------|
|                            | 2012                    | 2011         |
| Land                       | \$5,031,339             | \$5,031,339  |
| Land Improvements          | 381,785                 | 414,588      |
| Buildings and Improvements | 32,303,004              | 33,326,479   |
| Furniture and Fixtures     | 334,292                 | 358,267      |
| Machinery and Equipment    | 437,929                 | 492,539      |
| Vehicles                   | 123,235                 | 148,080      |
| Totals                     | \$38,611,584            | \$39,771,292 |

See Note 11 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2012, the School District had \$5,573,866 in general obligation bonds outstanding (including premiums, discounts and accretion), of which \$440,000 is due within one year. During fiscal year 2012, the School District made lease payments in the amount of \$11,228 and at year end, \$14,012 remained outstanding on the capital leases with \$12,305 due within one year. See Note 15 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 6.64 mill emergency operating levy for five years was passed in November, 2012. Even with the passage of this renewal, the School District's most recent Board-approved five year financial forecast reflects deficit cash balances beginning in fiscal year 2014

**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](mailto:charles.radcliff@omeresanet.net).

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**Cambridge City School District**

*Statement of Net Assets*

*June 30, 2012*

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Equity in Pooled Cash and Cash Equivalents       | \$6,934,534                        |
| Cash and Cash Equivalents in Segregated Accounts | 1,032                              |
| Cash and Cash Equivalents with Fiscal Agents     | 43,479                             |
| Investments in Segregated Accounts               | 15,078                             |
| Inventory Held for Resale                        | 14,420                             |
| Materials and Supplies Inventory                 | 61,468                             |
| Accounts Receivable                              | 164,238                            |
| Intergovernmental Receivable                     | 524,381                            |
| Prepaid Items                                    | 68,653                             |
| Property Taxes Receivable                        | 7,639,107                          |
| Deferred Charges                                 | 39,822                             |
| Nondepreciable Capital Assets                    | 5,031,339                          |
| Depreciable Capital Assets, Net                  | <u>33,580,245</u>                  |
| <i>Total Assets</i>                              | <u>54,117,796</u>                  |
| <b>Liabilities</b>                               |                                    |
| Accounts Payable                                 | 115,281                            |
| Accrued Wages and Benefits Payable               | 2,082,607                          |
| Intergovernmental Payable                        | 579,677                            |
| Accrued Interest Payable                         | 16,331                             |
| Matured Compensated Absences Payable             | 69,235                             |
| Deferred Revenue                                 | 4,069,322                          |
| Claims Payable                                   | 436,843                            |
| Long-Term Liabilities:                           |                                    |
| Due Within One Year                              | 534,684                            |
| Due In More Than One Year                        | <u>6,441,247</u>                   |
| <i>Total Liabilities</i>                         | <u>14,345,227</u>                  |
| <b>Net Assets</b>                                |                                    |
| Invested in Capital Assets, Net of Related Debt  | 33,535,361                         |
| Restricted for:                                  |                                    |
| Debt Service                                     | 2,287,639                          |
| Capital Projects                                 | 626,780                            |
| Food Service                                     | 388,777                            |
| State Programs                                   | 22,978                             |
| Federal Programs                                 | 127,558                            |
| Unclaimed Monies                                 | 12,869                             |
| Music Supplies:                                  |                                    |
| Non-Expendable                                   | 500                                |
| Expendable                                       | 2,019                              |
| Other Purposes                                   | 1,278,977                          |
| Unrestricted                                     | <u>1,489,111</u>                   |
| <i>Total Net Assets</i>                          | <u><u>\$39,772,569</u></u>         |

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

|  | Expenses            | Program Revenues        |   | Net (Expense)/<br>Revenue and<br>Change in Net Assets |                            |
|--|---------------------|-------------------------|---|---|----------------------------|
|  |                     | Charges for<br>Services | Operating Grants,<br>Contributions,<br>and Interest | Capital Grants,<br>Contributions,<br>and Interest     | Governmental<br>Activities |
| <b>Governmental Activities</b>                                 |                     |                         |   |   |                            |
| Instruction:   |                     |                         |   |   |                            |
| Regular  | \$11,875,265        | \$657,040               | \$128,680   | \$0   | (\$11,089,545)             |
| Special  | 2,923,496           | 33,260                  | 1,163,897   | 0   | (1,726,339)                |
| Vocational   | 296,071             | 0                       | 93,476  | 0   | (202,595)                  |
| Adult/Continuing   | 14,117              | 0                       | 0   | 0   | (14,117)                   |
| Student Intervention Services                                  | 9,234               | 0                       | 0   | 0   | (9,234)                    |
| Support Services:  |                     |                         |   |   |                            |
| Pupils   | 1,284,102           | 0                       | 215,990   | 0   | (1,068,112)                |
| Instructional Staff  | 1,406,318           | 0                       | 702,244   | 0   | (704,074)                  |
| Board of Education   | 93,464              | 0                       | 0   | 0   | (93,464)                   |
| Administration   | 1,581,940           | 0                       | 146,790   | 0   | (1,435,150)                |
| Fiscal   | 530,508             | 0                       | 147,154   | 0   | (383,354)                  |
| Business   | 38,670              | 0                       | 0   | 0   | (38,670)                   |
| Operation and Maintenance of Plant                             | 2,289,817           | 23,042                  | 136,160   | 1,725   | (2,128,890)                |
| Pupil Transportation   | 1,298,400           | 0                       | 55,746  | 0   | (1,242,654)                |
| Central  | 220,523             | 0                       | 9,425   | 0   | (211,098)                  |
| Operation of Non-Instructional Services:                       |                     |                         |   |   |                            |
| Food Service Operations  | 1,025,914           | 268,139                 | 881,332   | 0   | 123,557                    |
| Other Non-Instructional Services                               | 112,887             | 0                       | 112,655   | 0   | (232)                      |
| Extracurricular Activities                                     | 598,270             | 164,866                 | 28,633  | 0   | (404,771)                  |
| Interest and Fiscal Charges                                    | 275,072             | 0                       | 0   | 0   | (275,072)                  |
| <i>Totals</i>  | <u>\$25,874,068</u> | <u>\$1,146,347</u>      | <u>\$3,822,182</u>                                  | <u>\$1,725</u>  | <u>(20,903,814)</u>        |
| <b>General Revenues</b>  |                     |                         |   |   |                            |
| Property Taxes Levied For:                                     |                     |                         |   |   |                            |
|  |                     |                         |   |   | 5,309,825                  |
|  |                     |                         |   |   | 577,010                    |
|  |                     |                         |   |   | 78,049                     |
| Grants and Entitlements not<br>Restricted to Specific Programs |                     |                         |   |   | 13,410,991                 |
| Interest   |                     |                         |   |   | 13,935                     |
| Gain on Sale of Capital Assets                                 |                     |                         |   |   | 1,700                      |
| Miscellaneous  |                     |                         |   |   | 225,351                    |
| <i>Total General Revenues</i>                                  |                     |                         |   |   | <u>19,616,861</u>          |
| <i>Change in Net Assets</i>                                    |                     |                         |   |   | (1,286,953)                |
| <i>Net Assets Beginning of Year</i>                            |                     |                         |   |   | <u>41,059,522</u>          |
| <i>Net Assets End of Year</i>                                  |                     |                         |   |   | <u><u>\$39,772,569</u></u> |

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

|  | General            | Bond<br>Retirement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                    |                    |                            |                                |                                |
| Equity in Pooled Cash and Cash Equivalents       | \$1,723,267        | \$1,955,254                | \$2,540,126                    | \$6,218,647                    |
| Cash and Cash Equivalents in Segregated Accounts | 0                  | 0                          | 1,032                          | 1,032                          |
| Investments in Segregated Accounts               | 15,078             | 0                          | 0                              | 15,078                         |
| Restricted Assets:                               |                    |                            |                                |                                |
| Equity in Pooled Cash and Cash Equivalents       | 12,869             | 0                          | 0                              | 12,869                         |
| Receivables:                                     |                    |                            |                                |                                |
| Property Taxes                                   | 6,801,443          | 738,417                    | 99,247                         | 7,639,107                      |
| Accounts   | 50,609             | 0                          | 0                              | 50,609                         |
| Intergovernmental                                | 58,581             | 0                          | 465,800                        | 524,381                        |
| Prepaid Items                                    | 68,653             | 0                          | 0                              | 68,653                         |
| Inventory Held for Resale                        | 0                  | 0                          | 14,420                         | 14,420                         |
| Materials and Supplies Inventory                 | 53,153             | 0                          | 8,315                          | 61,468                         |
| <i>Total Assets</i>                              | <u>\$8,783,653</u> | <u>\$2,693,671</u>         | <u>\$3,128,940</u>             | <u>\$14,606,264</u>            |
| <b>Liabilities and Fund Balances</b>             |                    |                            |                                |                                |
| <b>Liabilities</b>                               |                    |                            |                                |                                |
| Accounts Payable                                 | \$92,371           | \$0                        | \$22,910                       | \$115,281                      |
| Accrued Wages and Benefits Payable               | 1,791,622          | 0                          | 290,985                        | 2,082,607                      |
| Intergovernmental Payable                        | 499,717            | 0                          | 79,960                         | 579,677                        |
| Matured Compensated Absences Payable             | 69,235             | 0                          | 0                              | 69,235                         |
| Deferred Revenue                                 | 5,210,341          | 554,257                    | 343,148                        | 6,107,746                      |
| <i>Total Liabilities</i>                         | <u>7,663,286</u>   | <u>554,257</u>             | <u>737,003</u>                 | <u>8,954,546</u>               |
| <b>Fund Balances</b>                             |                    |                            |                                |                                |
| Nonspendable:                                    |                    |                            |                                |                                |
| Inventories                                      | 53,153             | 0                          | 22,735                         | 75,888                         |
| Prepaid Items                                    | 68,653             | 0                          | 0                              | 68,653                         |
| Unclaimed Monies                                 | 12,869             | 0                          | 0                              | 12,869                         |
| Music Supplies:                                  | 0                  | 0                          | 500                            | 500                            |
| Restricted for:                                  |                    |                            |                                |                                |
| Debt Service                                     | 0                  | 2,139,414                  | 0                              | 2,139,414                      |
| Capital Projects                                 | 0                  | 0                          | 251,020                        | 251,020                        |
| Food Service Operations                          | 0                  | 0                          | 418,387                        | 418,387                        |
| Federal Grant Expenditures                       | 0                  | 0                          | 10,039                         | 10,039                         |
| Music Supplies                                   | 0                  | 0                          | 2,019                          | 2,019                          |
| Classroom Facilities Maintenance                 | 0                  | 0                          | 1,167,845                      | 1,167,845                      |
| Other Purposes                                   | 0                  | 0                          | 91,419                         | 91,419                         |
| Committed to:                                    |                    |                            |                                |                                |
| Encumbrances                                     | 53,980             | 0                          | 0                              | 53,980                         |
| Scholarships                                     | 0                  | 0                          | 56,239                         | 56,239                         |
| Assigned to:                                     |                    |                            |                                |                                |
| Encumbrances                                     | 300,638            | 0                          | 0                              | 300,638                        |
| Fiscal Year 2013 Appropriations                  | 604,503            | 0                          | 0                              | 604,503                        |
| Capital Projects                                 | 0                  | 0                          | 375,760                        | 375,760                        |
| Other Purposes                                   | 26,571             | 0                          | 0                              | 26,571                         |
| Unassigned (Deficit)                             | 0                  | 0                          | (4,026)                        | (4,026)                        |
| <i>Total Fund Balances</i>                       | <u>1,120,367</u>   | <u>2,139,414</u>           | <u>2,391,937</u>               | <u>5,651,718</u>               |
| <i>Total Liabilities and Fund Balances</i>       | <u>\$8,783,653</u> | <u>\$2,693,671</u>         | <u>\$3,128,940</u>             | <u>\$14,606,264</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, 2012*

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**Total Governmental Fund Balances** \$5,651,718

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

Capital assets used in governmental activities are not financial resources  
 and therefore are not reported in the funds. 38,611,584

Other long-term assets are not available to pay for current-period  
 expenditures and therefore are deferred in the funds:

|                            |               |           |
|----------------------------|---------------|-----------|
| Property Taxes             | 1,662,987     |           |
| Grants                     | 268,746       |           |
| Tuition and Fees           | 38,808        |           |
| Extracurricular Activities | 6,537         |           |
| Miscellaneous Revenue      | <u>61,346</u> |           |
| Total                      |               | 2,038,424 |

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. (16,331)

Unamortized issuance costs represent deferred charges which do not provide  
 current financial resources and, therefore, are not reported in the funds. 39,822

Long-term liabilities are not due and payable in the current period and  
 therefore are not reported in the funds:

|   |                    |             |
|---|--------------------|-------------|
| General Obligation Bonds - Serial                 | (4,775,000)        |             |
| General Obligation Bonds - Capital Appreciation   | (140,000)          |             |
| Accretion on Capital Appreciation Bonds Interest  | (471,833)          |             |
| Premiums on Serial and Capital Appreciation Bonds | (221,810)          |             |
| Discount  | 34,777             |             |
| Capital Leases                                    | (14,012)           |             |
| Compensated Absences Payable                      | <u>(1,388,053)</u> |             |
| Total   |                    | (6,975,931) |

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. 423,283

*Net Assets of Governmental Activities* \$39,772,569

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, 2012*

|   | General            | Bond<br>Retirement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                             |                    |                            |                                |                                |
| Taxes                                       | \$5,321,555        | \$575,455                  | \$77,795                       | \$5,974,805                    |
| Intergovernmental                           | 13,645,581         | 146,000                    | 4,149,359                      | 17,940,940                     |
| Interest                                    | 9,664              | 0                          | 2,550                          | 12,214                         |
| Tuition and Fees                            | 686,328            | 0                          | 0                              | 686,328                        |
| Rent  | 15,842             | 0                          | 7,200                          | 23,042                         |
| Extracurricular Activities                  | 47,780             | 0                          | 129,170                        | 176,950                        |
| Gifts and Donations                         | 28,477             | 0                          | 4,240                          | 32,717                         |
| Customer Sales and Services                 | 0                  | 0                          | 268,139                        | 268,139                        |
| Miscellaneous                               | 164,005            | 0                          | 0                              | 164,005                        |
| <i>Total Revenues</i>                       | <u>19,919,232</u>  | <u>721,455</u>             | <u>4,638,453</u>               | <u>25,279,140</u>              |
| <b>Expenditures</b>                         |                    |                            |                                |                                |
| Current:                                    |                    |                            |                                |                                |
| Instruction:                                |                    |                            |                                |                                |
| Regular                                     | 10,547,340         | 0                          | 685,536                        | 11,232,876                     |
| Special                                     | 1,707,461          | 0                          | 1,040,322                      | 2,747,783                      |
| Vocational                                  | 281,498            | 0                          | 0                              | 281,498                        |
| Adult/Continuing                            | 14,117             | 0                          | 0                              | 14,117                         |
| Student Intervention Services               | 6,851              | 0                          | 0                              | 6,851                          |
| Support Services:                           |                    |                            |                                |                                |
| Pupils                                      | 995,847            | 0                          | 212,799                        | 1,208,646                      |
| Instructional Staff                         | 630,858            | 0                          | 706,303                        | 1,337,161                      |
| Board of Education                          | 90,295             | 0                          | 0                              | 90,295                         |
| Administration                              | 1,305,630          | 0                          | 136,778                        | 1,442,408                      |
| Fiscal                                      | 478,626            | 19,191                     | 2,588                          | 500,405                        |
| Business                                    | 34,671             | 0                          | 0                              | 34,671                         |
| Operation and Maintenance of Plant          | 1,945,375          | 0                          | 231,077                        | 2,176,452                      |
| Pupil Transportation                        | 1,193,312          | 0                          | 53,334                         | 1,246,646                      |
| Central                                     | 187,551            | 0                          | 9,000                          | 196,551                        |
| Operation of Non-Instructional Services:    |                    |                            |                                |                                |
| Food Service Operations                     | 0                  | 0                          | 939,259                        | 939,259                        |
| Other Non-Instructional Services            | 0                  | 0                          | 105,711                        | 105,711                        |
| Extracurricular Activities                  | 432,308            | 0                          | 108,213                        | 540,521                        |
| Capital Outlay                              | 0                  | 0                          | 24,463                         | 24,463                         |
| Debt Service:                               |                    |                            |                                |                                |
| Principal Retirement                        | 11,228             | 425,000                    | 0                              | 436,228                        |
| Interest and Fiscal Charges                 | 1,854              | 210,163                    | 0                              | 212,017                        |
| <i>Total Expenditures</i>                   | <u>19,864,822</u>  | <u>654,354</u>             | <u>4,255,383</u>               | <u>24,774,559</u>              |
| <i>Excess of Revenues Over Expenditures</i> | <u>54,410</u>      | <u>67,101</u>              | <u>383,070</u>                 | <u>504,581</u>                 |
| <b>Other Financing Sources (Use)</b>        |                    |                            |                                |                                |
| Transfers In                                | 0                  | 0                          | 1,087,164                      | 1,087,164                      |
| Proceeds from Sale of Capital Assets        | 1,700              | 0                          | 0                              | 1,700                          |
| Transfers Out                               | 0                  | 0                          | (1,087,164)                    | (1,087,164)                    |
| <i>Total Other Financing Sources (Use)</i>  | <u>1,700</u>       | <u>0</u>                   | <u>0</u>                       | <u>1,700</u>                   |
| <i>Net Change in Fund Balances</i>          | 56,110             | 67,101                     | 383,070                        | 506,281                        |
| <i>Fund Balances Beginning of Year</i>      | <u>1,064,257</u>   | <u>2,072,313</u>           | <u>2,008,867</u>               | <u>5,145,437</u>               |
| <i>Fund Balances End of Year</i>            | <u>\$1,120,367</u> | <u>\$2,139,414</u>         | <u>\$2,391,937</u>             | <u>\$5,651,718</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, 2012*

|   |                    |                             |
|---|--------------------|-----------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   |                    | \$506,281                   |
| <br><i>Amounts reported for governmental activities in the statement of activities are different because</i>  |                    |                             |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.                            |                    |                             |
| Capital Asset Additions   | 77,130             |                             |
| Depreciation Expense  | <u>(1,236,838)</u> |                             |
| Total   |                    | (1,159,708)                 |
| Revenues in the statement of activities that do not provide current financial resources are not reported in the funds:  |                    |                             |
| Property Taxes  | (9,921)            |                             |
| Intergovernmental   | (741,304)          |                             |
| Tuition and Fees  | 3,972              |                             |
| Extracurricular Activities  | (12,084)           |                             |
| Miscellaneous Revenue   | <u>61,346</u>      |                             |
| Total   |                    | (697,991)                   |
| 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  | 425,000            |                             |
| Capital Leases  | <u>11,228</u>      |                             |
| Total   |                    | 436,228                     |
| 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: |                    |                             |
| Accretion of Interest   | (120,756)          |                             |
| Amortization of Capital Appreciation Bond Premium   | 56,722             |                             |
| Amortization of Serial Bond Premium   | 8,137              |                             |
| Amortization of Discount  | (3,337)            |                             |
| Amortization of Issuance Costs  | <u>(3,821)</u>     |                             |
| Total   |                    | (63,055)                    |
| 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.  |                    |                             |
|   |                    | (39,294)                    |
| 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.   |                    |                             |
|   |                    | <u>(269,414)</u>            |
| <i>Change in Net Assets of Governmental Activities</i>  |                    | <u><u>(\$1,286,953)</u></u> |

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, 2012*

|   | Budgeted Amounts |             | Actual      | Variance<br>Positive<br>(Negative) |
|---|------------------|-------------|-------------|------------------------------------|
|   | Original         | Final       |             |                                    |
| <b>Revenues</b>                                     |                  |             |             |                                    |
| Property Taxes                                      | \$5,173,000      | \$5,173,000 | \$5,383,273 | \$210,273                          |
| Intergovernmental                                   | 13,543,650       | 13,543,650  | 13,650,676  | 107,026                            |
| Interest  | 15,560           | 15,560      | 11,863      | (3,697)                            |
| Tuition and Fees                                    | 753,094          | 724,894     | 686,028     | (38,866)                           |
| Rent  | 12,000           | 12,000      | 15,842      | 3,842                              |
| Extracurricular Activities                          | 30,000           | 30,000      | 47,780      | 17,780                             |
| Gifts and Donations                                 | 5,591            | 5,591       | 28,477      | 22,886                             |
| Miscellaneous                                       | 153,215          | 153,215     | 217,362     | 64,147                             |
| <i>Total Revenues</i>                               | 19,686,110       | 19,657,910  | 20,041,301  | 383,391                            |
| <b>Expenditures</b>                                 |                  |             |             |                                    |
| Current:  |                  |             |             |                                    |
| Instruction:  |                  |             |             |                                    |
| Regular   | 10,510,396       | 10,510,396  | 10,462,693  | 47,703                             |
| Special   | 2,031,396        | 2,031,396   | 1,759,444   | 271,952                            |
| Vocational  | 358,281          | 358,281     | 292,461     | 65,820                             |
| Adult/Continuing                                    | 14,500           | 14,500      | 14,117      | 383                                |
| Student Intervention Services                       | 53,650           | 53,650      | 9,243       | 44,407                             |
| Support Services:                                   |                  |             |             |                                    |
| Pupils  | 1,021,173        | 1,021,173   | 1,004,107   | 17,066                             |
| Instructional Staff                                 | 640,539          | 640,539     | 606,864     | 33,675                             |
| Board of Education                                  | 100,117          | 100,117     | 111,099     | (10,982)                           |
| Administration                                      | 1,335,811        | 1,335,811   | 1,329,394   | 6,417                              |
| Fiscal  | 516,394          | 516,394     | 498,520     | 17,874                             |
| Business  | 72,869           | 72,869      | 45,422      | 27,447                             |
| Operation and Maintenance of Plant                  | 2,374,505        | 2,374,505   | 2,156,086   | 218,419                            |
| Pupil Transportation                                | 1,305,898        | 1,305,898   | 1,252,156   | 53,742                             |
| Central   | 230,696          | 230,696     | 213,285     | 17,411                             |
| Operation of Non-Instructional Services             | 158              | 158         | 158         | 0                                  |
| Extracurricular Activities                          | 445,440          | 445,440     | 440,568     | 4,872                              |
| Debt Service:                                       |                  |             |             |                                    |
| Principal Retirement                                | 11,228           | 11,228      | 11,228      | 0                                  |
| Interest and Fiscal Charges                         | 1,854            | 1,854       | 1,854       | 0                                  |
| <i>Total Expenditures</i>                           | 21,024,905       | 21,024,905  | 20,208,699  | 816,206                            |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (1,338,795)      | (1,366,995) | (167,398)   | 1,199,597                          |
| <b>Other Financing Source (Uses)</b>                |                  |             |             |                                    |
| Proceeds from Sale of Capital Assets                | 0                | 0           | 1,700       | 1,700                              |
| Refund of Prior Year Receipts                       | (9,884)          | (9,884)     | 0           | 9,884                              |
| Other Financing Uses                                | (60,000)         | (60,000)    | 0           | 60,000                             |
| <i>Total Other Financing Source (Uses)</i>          | (69,884)         | (69,884)    | 1,700       | 71,584                             |
| <i>Net Change in Fund Balance</i>                   | (1,408,679)      | (1,436,879) | (165,698)   | 1,271,181                          |
| <i>Fund Balance Beginning of Year</i>               | 1,091,368        | 1,091,368   | 1,091,368   | 0                                  |
| Prior Year Encumbrances Appropriated                | 358,674          | 358,674     | 358,674     | 0                                  |
| <i>Fund Balance End of Year</i>                     | \$41,363         | \$13,163    | \$1,284,344 | \$1,271,181                        |

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2012*

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|  | Governmental<br>Activity<br><u>Internal Service<br/>Fund</u> |
|--|--|
| <b>Current Assets</b>                        |  |
| Equity in Pooled Cash and Cash Equivalents   | \$703,018  |
| Cash and Cash Equivalents with Fiscal Agents | 43,479   |
| Accounts Receivable                          | <u>113,629</u>   |
| <i>Total Assets</i>                          | <u>860,126</u>   |
| <b>Current Liabilities</b>                   |  |
| Claims Payable                               | <u>436,843</u>   |
| <i>Total Liabilities</i>                     | <u>436,843</u>   |
| <b>Net Assets</b>                            |  |
| Unrestricted                                 | <u><u>\$423,283</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, 2012*

|                                     | Governmental<br>Activity<br>Internal Service<br>Fund |
|-------------------------------------|--|
| <b>Operating Revenues</b>           |  |
| Charges for Services                | \$3,839,110  |
| <i>Total Operating Revenues</i>     | 3,839,110  |
| <b>Operating Expenses</b>           |  |
| Purchased Services                  | 1,169,579  |
| Claims                              | 2,943,211  |
| <i>Total Operating Expenses</i>     | 4,112,790  |
| <i>Operating Loss</i>               | (273,680)  |
| <b>Non-Operating Revenues</b>       |  |
| Interest                            | 4,266  |
| <i>Net Change in Net Assets</i>     | (269,414)  |
| <i>Net Assets Beginning of Year</i> | 692,697  |
| <i>Net Assets End of Year</i>       | \$423,283  |

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, 2012

|   | Governmental<br>Activity<br>Internal Service<br>Fund |
|---|--|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                               |  |
| <b>Cash Flows from Operating Activities</b>   |  |
| Cash Received from Transactions with Other Funds                                      | \$3,839,110  |
| Cash Payments for Goods and Services  | (1,169,579)  |
| Cash Payments for Claims  | (3,048,271)  |
|   | (378,740)  |
| <b>Cash Flows from Investing Activities</b>   |  |
| Interest  | 4,266  |
|   | (374,474)  |
| <i>Net Decrease in Cash and Cash Equivalents</i>                                      | (374,474)  |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                    | 1,120,971  |
|   | \$746,497  |
|   | \$746,497  |
| <b>Reconciliation of Operating Loss to Net<br/>Cash Used for Operating Activities</b> |  |
| Operating Loss  | (\$273,680)  |
| Changes in Liabilities:   |  |
| Increase in Accounts Receivable   | (113,629)  |
| Increase in Claims Payable  | 8,569  |
|   | (105,060)  |
| Net Cash Used for Operating Activities  | (\$378,740)  |

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2012*

|  | Private Purpose<br>Trust | Agency            |
|--|--------------------------|-------------------|
|  | <u>          </u>        | <u>          </u> |
| <b>Assets</b>                                    |                          |                   |
| Equity in Pooled Cash and Cash Equivalents       | \$424,894                | \$42,468          |
| Cash and Cash Equivalents in Segregated Accounts | <u>38,904</u>            | <u>0</u>          |
| <i>Total Assets</i>                              | <u>463,798</u>           | <u>\$42,468</u>   |
| <b>Liabilities</b>                               |                          |                   |
| Due to Students                                  | <u>0</u>                 | <u>\$42,468</u>   |
| <b>Net Assets</b>                                |                          |                   |
| Restricted for Endowments                        | 333,715                  |                   |
| Held in Trust for Scholarships                   | <u>130,083</u>           |                   |
| Total Net Assets                                 | <u>\$463,798</u>         |                   |

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2012*

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|  | Private Purpose<br>Trust |
|--|--------------------------|
| <b>Additions</b>                             |                          |
| Gifts and Contributions                      | \$14,425                 |
| Interest                                     | 3,818                    |
| Miscellaneous                                | 490                      |
| <i>Total Additions</i>                       | 18,733                   |
| <b>Deductions</b>                            |                          |
| Payments in Accordance with Trust Agreements | 26,025                   |
| <i>Change in Net Assets</i>                  | (7,292)                  |
| <i>Net Assets Beginning of Year</i>          | 471,090                  |
| <i>Net Assets End of Year</i>                | \$463,798                |

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, 2012*

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

Cambridge City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and three support facilities staffed by 137 classified employees and 193 certified personnel, who provide services to 2,455 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 insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Cambridge City School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan (NCEB), and the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Self-Insurance Plan which are defined insurance purchasing pools. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

The statement of net assets presents the financial condition of the governmental 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:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***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.

***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, scholarship, and athletic monies. The self-insurance account includes money that is distributed for medical/surgical, prescription drug and dental claims. This account is presented on the financial statements as "cash and cash equivalents with fiscal agents. The scholarship and 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 2012, investments were limited to common stock. 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 2012 amounted to \$9,664, which includes \$5,303 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, 2012, 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

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

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

| Description                | Estimated Lives |
|----------------------------|-----------------|
| 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 unclaimed monies not available for appropriation.

***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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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with five years of service with the School District.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund which the employees who will receive the payment are paid.

***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. Internal Activity***

Transfers within governmental activities are eliminated on the government-wide statements.

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***

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

***O. Bond Premiums, Discounts, and Issuance Costs***

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

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,

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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.

***T. Budgetary Process***

All funds, other than agency funds, 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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 Principle**

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53". GASB Statement No. 64 was issued to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this statement did not result in any change to the School District's financial statements.

**Note 4 - Accountability**

The following funds had deficit fund balances as of June 30, 2012:

| <u>Special Revenue Funds:</u> | <u>Amount</u> |
|-------------------------------|---------------|
| Miscellaneous State Grants    | \$436         |
| Education Jobs                | 2,123         |
| Title I                       | 1,467         |

These deficits were 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 Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned 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. Adjustments 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                               | \$56,110    |
| Revenue Accruals                         | 119,870     |
| Fiscal Year 2011 Market Value Adjustment | 15,539      |
| Fiscal Year 2012 Market Value Adjustment | (13,340)    |
| Fiscal Year 2011 Prepaid Items           | 88,670      |
| Fiscal Year 2012 Prepaid Items           | (68,653)    |
| Expenditure Accruals                     | 89,636      |
| Encumbrances                             | (453,530)   |
| Budget Basis                             | (\$165,698) |

**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

**Cambridge City School District**  
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depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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);
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, \$1,819,262 of the School District's bank balance of \$7,974,714, including the payroll account balance of \$316,562, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

***Investments***

**Cambridge City School District**  
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As of June 30, 2012, the School District had the following investment, of which is a part of the internal investment pool:

|                                    | <u>Fair Value</u> | <u>Maturity</u> | <u>S&amp;P<br/>Rating</u> | <u>Percent of<br/>Total<br/>Investments</u> |
|------------------------------------|-------------------|-----------------|---------------------------|---|
| JP Morgan Chase & Co. Common Stock | \$15,078          | N/A             | N/R                       | 100.00%                                     |

**Credit Risk** 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected 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, and recognized as revenue at June 30, 2012, was \$1,697,793 in the General Fund, \$24,845 in the Classroom Facilities Maintenance Special Revenue Fund, and \$184,160 in the Bond Retirement Debt Service Fund. At June 30, 2011, \$1,759,511 was available as an advance in the General Fund, \$25,418 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$189,513 was available in the Bond Retirement Debt Service Fund.

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

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

|   | 2011 Second-<br>Half Collections |         | 2012 First-<br>Half Collections |         |
|---|----------------------------------|---------|---------------------------------|---------|
|   | Amount                           | Percent | Amount                          | Percent |
| Real Estate                                   | \$198,070,020                    | 90.84%  | \$199,090,820                   | 90.84%  |
| Public Utility Personal                       | 19,965,980                       | 9.16%   | 20,076,380                      | 9.16%   |
| Total   | \$218,036,000                    | 100.00% | \$219,167,200                   | 100.00% |
| Tax Rate per \$1,000 of<br>assessed valuation | \$38.60                          |         | \$38.39                         |         |

**Note 8 - Receivables**

Receivables at June 30, 2012, consisted of property taxes, accounts (student fees), 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 \$1,662,987 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:

| <b>Governmental Activities:</b> |           |
|---------------------------------|-----------|
| Retirement Overpayments         | \$58,581  |
| Early Childhood Grant           | 25,144    |
| IDEA Part B                     | 126,421   |
| Title I                         | 257,566   |
| Title VI-B Rural                | 19,974    |
| Title II-A                      | 36,695    |
|                                 | \$524,381 |

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 - 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 2012, the School District purchased the following coverage:

|  |                     |                          |
|--|---------------------|--------------------------|
| <u>Barengo Insurance Agency</u>                  |                     |                          |
| Property Blanket                                 | \$91,272,000        |                          |
| General Liability                                | \$3,000,000         | annual aggregate         |
| Inland Marine                                    | \$500,000           | \$250 deductible         |
| Commercial Crime                                 | \$25,000-\$100,000  | \$500-\$1,000 deductible |
| Commercial Automobile                            | \$5,000-\$1,000,000 | each accident            |
| Umbrella   | \$6,000,000         | annual aggregate         |
| <br><u>W.B. Green &amp; Co., Inc.</u>            |                     |                          |
| Treasurer Bond Insurance                         | \$50,000            |                          |
| Blanket Bond Insurance covering<br>all employees | \$25,000            | \$500 deductible         |

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

***B. Workers' Compensation***

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

***C. 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 100 percent of the premium for dental coverage. The monthly cost of premiums is \$648.64 for single coverage and \$1,490.13 for family coverage on medical/surgical and prescription drug coverage for certified employees and \$670.47 for single coverage and \$1,540.29 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 \$30.29 for single and \$69.59 for family coverage.

The claims liability of \$436,843 reported in the internal service fund at June 30, 2012, is based on an

**Cambridge City School District**  
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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 | Balance at<br>Beginning of<br>Year | Current Year<br>Claims               | Claims<br>Payments | Balance at<br>End of Year |
|------|------------------------------------|--------------------------------------|--------------------|---------------------------|
| 2011 | \$378,880                          | \$2,695,320                          | \$2,645,926        | \$428,274                 |
| 2012 | 428,274                            | 3,056,840 (1)                        | 3,048,271          | 436,843                   |
|      |                                    | (1) Claims Expense                   | \$2,943,211        |                           |
|      |                                    | Net Increase in Stop Loss Receivable | 113,629            |                           |
|      |                                    | Current Year Claims                  | \$3,056,840        |                           |

**Note 10 - 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.

**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.

**Cambridge City School District**  
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**Note 11 - Capital Assets**

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

|   | Balance<br>06/30/2011 | Additions     | Reductions | Balance<br>06/30/2012 |
|---|-----------------------|---------------|------------|-----------------------|
| <b>Governmental Activities:</b>             |                       |               |            |                       |
| Capital assets not being depreciated        |                       |               |            |                       |
| Land  | \$5,031,339           | \$0           | \$0        | \$5,031,339           |
| Total capital assets not being depreciated  | 5,031,339             | 0             | 0          | 5,031,339             |
| Capital assets being depreciated            |                       |               |            |                       |
| Land Improvements                           | 656,056               | 0             | 0          | 656,056               |
| Buildings and Improvements                  | 42,378,132            | 24,463        | 0          | 42,402,595            |
| Furniture and Fixtures                      | 524,775               | 0             | 0          | 524,775               |
| Machinery and Equipment                     | 1,326,149             | 32,967        | 0          | 1,359,116             |
| Vehicles                                    | 1,445,544             | 19,700        | (82,092)   | 1,383,152             |
| Total capital assets being depreciated      | 46,330,656            | 77,130        | (82,092)   | 46,325,694            |
| Accumulated depreciation                    |                       |               |            |                       |
| Land Improvements                           | (241,468)             | (32,803)      | 0          | (274,271)             |
| Buildings and Improvements                  | (9,051,653)           | (1,047,938)   | 0          | (10,099,591)          |
| Furniture and Fixtures                      | (166,508)             | (23,975)      | 0          | (190,483)             |
| Machinery and Equipment                     | (833,610)             | (87,577)      | 0          | (921,187)             |
| Vehicles                                    | (1,297,464)           | (44,545)      | 82,092     | (1,259,917)           |
| Total accumulated depreciation              | (11,590,703)          | (1,236,838) * | 82,092     | (12,745,449)          |
| Capital assets being depreciated, net       | 34,739,953            | (1,159,708)   | 0          | 33,580,245            |
| Governmental Activities capital assets, net | \$39,771,292          | (\$1,159,708) | \$0        | \$38,611,584          |

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

|   |                    |
|---|--------------------|
| Instruction:                            |                    |
| Regular                                 | \$502,038          |
| Special                                 | 144,777            |
| Vocational                              | 12,498             |
| Intervention                            | 1,729              |
| Support Services:                       |                    |
| Pupils                                  | 59,502             |
| Instructional Staff                     | 65,109             |
| Board of Education                      | 3,169              |
| Administration                          | 80,446             |
| Fiscal                                  | 22,323             |
| Business                                | 3,769              |
| Operation and Maintenance of Plant      | 110,738            |
| Pupil Transportation                    | 46,300             |
| Central                                 | 21,000             |
| Extracurricular Activities              | 57,749             |
| Operation of Non-Instructional Services | 4,854              |
| Food Service Operations                 | 100,837            |
| Total Depreciation Expense              | <u>\$1,236,838</u> |

## **Note 12 - Defined Benefit Pension Plans**

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

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$306,758, \$160,355, and \$404,959, respectively. For fiscal year 2012, 80.28 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. 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. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended 2012, 2011, and 2010 were \$1,240,549, \$1,293,572, and \$1,384,292, respectively. For fiscal year 2012, 83.54 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$37,618 made by the School District and \$26,870 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, 2012, there are two employees who have elected Social Security.

**Note 13 - Postemployment Benefits**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 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 fiscal year 2012, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$43,881, \$75,098, and \$15,893, respectively. For fiscal year 2012, 13.50 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,793, \$11,292, and \$24,158, respectively. For fiscal year 2012, 79.92 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$98,321, \$101,928, and \$101,559, respectively. For fiscal year 2012, 83.54 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 14 - Capital Leases**

In prior years, the School District has entered into two capitalized leases for 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 \$15,810. Principal payments in fiscal year 2012 totaled \$11,228, in the governmental funds.

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Future minimum lease payments through fiscal year 2014 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>       | <u>Interest</u>     |
|--------------------|------------------------|---------------------|
| 2013               | \$12,305               | \$778               |
| 2014               | 1,707                  | 17                  |
| <b>Totals</b>      | <b><u>\$14,012</u></b> | <b><u>\$795</u></b> |

**Note 15 - Long Term Obligations**

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

|   | <u>Principal<br/>Outstanding<br/>06/30/11</u> | <u>Additions</u>        | <u>Reductions</u>       | <u>Principal<br/>Outstanding<br/>06/30/12</u> | <u>Amounts<br/>Due in<br/>One Year</u> |
|---|---|-------------------------|-------------------------|---|--|
| <b>Governmental Activities:</b>         |   |                         |                         |   |  |
| 2005 Classroom Facilities               |   |                         |                         |   |  |
| Refunding General Obligation Bonds:     |   |                         |                         |   |  |
| Serial Bonds - 3.25%-5.5%               | \$5,200,000                                   | \$0                     | \$425,000               | \$4,775,000                                   | \$440,000                              |
| Original Issue of Capital Appreciation  |   |                         |                         |   |  |
| Bonds - 22.66%-23.63%                   | 140,000                                       | 0                       | 0                       | 140,000                                       | 0                                      |
| Accretion on Capital Appreciation Bonds | 351,077                                       | 120,756                 | 0                       | 471,833                                       | 0                                      |
| Premium on Capital Appreciation Bonds   | 193,723                                       | 0                       | 56,722                  | 137,001                                       | 0                                      |
| Premium on Serial Bonds                 | 92,946  | 0                       | 8,137                   | 84,809  | 0                                      |
| Discount                                | (38,114)                                      | 0                       | (3,337)                 | (34,777)                                      | 0                                      |
| <b>Total 2005 Bonds</b>                 | <b><u>5,939,632</u></b>                       | <b><u>120,756</u></b>   | <b><u>486,522</u></b>   | <b><u>5,573,866</u></b>                       | <b><u>440,000</u></b>                  |
| Capital Leases                          | 25,240  | 0                       | 11,228                  | 14,012  | 12,305                                 |
| Compensated Absences                    | 1,348,759                                     | 249,800                 | 210,506                 | 1,388,053                                     | 82,379                                 |
| <b>Total Governmental Activities</b>    | <b><u>\$7,313,631</u></b>                     | <b><u>\$370,556</u></b> | <b><u>\$708,256</u></b> | <b><u>\$6,975,931</u></b>                     | <b><u>\$534,684</u></b>                |

Sick leave and vacation benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service, Miscellaneous State Grants, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds.

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. \$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.

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

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$56,722 was amortized in fiscal year 2012. The capital appreciation bonds will mature in fiscal year 2014. The

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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maturity amount of the bonds is \$940,000. For the fiscal year 2012, \$120,756 was accreted for a total bond value of \$611,833.

Unamortized issuance costs in the amount of \$39,822, 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 2012 was \$3,821.

The overall debt margin of the School District as of June 30, 2012, was \$16,923,110, with an unvoted debt margin of \$219,030.

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2012, are as follows:

| Fiscal Year<br>Ending | Serial             |                    | Capital Appreciation |                  |
|-----------------------|--------------------|--------------------|----------------------|------------------|
|                       | Principal          | Interest           | Principal            | Interest         |
| 2013                  | \$440,000          | \$190,624          | \$0                  | \$0              |
| 2014                  | 0                  | 178,525            | 75,000               | 395,000          |
| 2015                  | 0                  | 178,525            | 65,000               | 405,000          |
| 2016                  | 470,000            | 169,125            | 0                    | 0                |
| 2017                  | 485,000            | 149,419            | 0                    | 0                |
| 2018-2022             | 2,760,000          | 413,606            | 0                    | 0                |
| 2023                  | 620,000            | 12,400             | 0                    | 0                |
|                       | <u>\$4,775,000</u> | <u>\$1,292,224</u> | <u>\$140,000</u>     | <u>\$800,000</u> |

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

**Note 16 - Jointly Governed Organizations**

***A. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments***

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The board possesses its own budgeting authority. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2012, the amount paid to OME-RESA from the School District was \$67,952 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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equity interest exists. During fiscal year 2012, 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 School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 193 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 39 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate.

The governing board of MEC is composed of 44 members, either the superintendent, a designated representative, or a member of the board of education for each participating school district in Franklin County 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. During fiscal year 2012, the School District made a payment of \$968 to MEC for a membership fee. During fiscal year 2012, the total amount paid to MEC from the School District was \$153,327 for cooperative gas purchasing services. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

***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 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 (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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personnel; gathers data regarding the level of education provided to children 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 \$325 for fiscal year 2012. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 17 - Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

***A. Northern Buckeye Educational Council (NBEC)***

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

***B. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan***

*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 \$500,000, and all claims between the deductible and the \$500,000 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 \$500,000, 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, 2012*

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**Note 18 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**Note 19 - Set-Asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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.

Effective June 30, 2005, through Amended Substitute House Bill 66, School Districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education.

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

|   | Capital<br>Improvements<br>Reserve |
|---|------------------------------------|
| Set-aside Reserve Balance as of June 30, 2011 | \$0                                |
| Current Year Set-aside Requirement            | 509,935                            |
| Current Year Offsets                          | (659,175)                          |
| Current Year Qualifying Disbursements         | (227,030)                          |
| Total   | <u>(\$376,270)</u>                 |
| Set-aside Reserve Balance as of June 30, 2012 | <u>\$0</u>                         |

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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. Effective July 1, 2011, House Bill 30, "The Unfunded Mandates Relief Act", eliminated the requirement that school districts annually set-aside an amount per pupil into a textbook and instructional materials fund.

**Note 20 - Interfund Transactions**

In fiscal year 2012, the School District finalized the school facilities project, and was left with a balance of \$1,087,164 of local share money in the School Facilities Construction Capital Projects Fund. In accordance with Classroom Facilities Construction Agreement, the School District transferred \$1,087,164 to the Classroom Facilities Maintenance Special Revenue Fund from the School Facilities Construction Capital Projects Fund.

**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 \$130,083 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**

The School District has placed a 6.64 mill emergency operating levy on the November 2012 ballot. The emergency operating levy is projected to generate approximately \$1,455,000 in property tax revenue to be credited to the General Fund.

This levy was approved by voters for five years, commencing in 2012, with first payments due in calendar year 2013.

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

| <b>FEDERAL GRANTOR/<br/>Pass-Through Grantor<br/>Program Title</b> | Grant<br>Year | Federal<br>CFDA<br>Number | Receipts                  | Expenditures              |
|--|---------------|---------------------------|---------------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                       |               |                           |                           |                           |
| <i>Passed-Through Ohio Department of Education:</i>                |               |                           |                           |                           |
| Child Nutrition Cluster:   |               |                           |                           |                           |
| Non-Cash Assistance:   |               |                           |                           |                           |
| National School Lunch Program (Food Donation)                      | 2011 / 2012   | 10.555                    | \$24,160                  | \$24,160                  |
| Cash Assistance:   |               |                           |                           |                           |
| School Breakfast Program   | 2011 / 2012   | 10.553                    | 244,669                   | 244,669                   |
| National School Lunch Program                                      | 2011 / 2012   | 10.555                    | 592,924                   | 592,924                   |
| After School Snack Program   | 2011 / 2012   | 10.555                    | 743                       | 743                       |
| Cash Assistance Subtotal   |               |                           | <u>838,336</u>            | <u>838,336</u>            |
| Total Child Nutrition Cluster                                      |               |                           | <u>862,496</u>            | <u>862,496</u>            |
| Total U.S. Department of Agriculture                               |               |                           | 862,496                   | 862,496                   |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |               |                           |                           |                           |
| <i>Passed-Through Ohio Department of Education:</i>                |               |                           |                           |                           |
| Title I, Part A Cluster:   |               |                           |                           |                           |
| Title I Grants to Local Educational Agencies                       | 2011          | 84.010                    | 108,614                   | 178,073                   |
|  | 2012          |                           | 1,125,339                 | 1,058,908                 |
| Total Title I Grants to Local Educational Agencies                 |               |                           | <u>1,233,953</u>          | <u>1,236,981</u>          |
| Title I Program for Neglected and Delinquent Children              | 2011          | 84.010                    | 412                       | 177                       |
|  | 2012          |                           | 21,891                    | 21,010                    |
| Total Title I Program for Neglected and Delinquent Children        |               |                           | <u>22,303</u>             | <u>21,187</u>             |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act  | 2012          | 84.389                    | 56,226                    | 50,724                    |
| Total Title I, Part A Cluster                                      |               |                           | <u>1,312,482</u>          | <u>1,308,892</u>          |
| Special Education (IDEA) Cluster:                                  |               |                           |                           |                           |
| Special Education, Grants to States (IDEA, Part B)                 |               |                           |                           |                           |
|  | 2011          | 84.027                    | 47,480                    | 66,967                    |
|  | 2012          |                           | 503,076                   | 478,085                   |
| Total Special Education, Grants to States (IDEA, Part B)           |               |                           | <u>550,556</u>            | <u>545,052</u>            |
| Early Childhood Special Education Pre-School Grant                 | 2012          | 84.173                    | 25,984                    | 25,984                    |
| Total Special Education (IDEA) Cluster                             |               |                           | <u>576,540</u>            | <u>571,036</u>            |
| Education Technology State Grants                                  |               |                           |                           |                           |
|  | 2011          | 84.318                    | 1,020                     | 0                         |
|  | 2012          |                           | 10,943                    | 10,943                    |
| Education Technology State Competitive Grants                      | 2012          | 84.318                    | 104,128                   | 104,128                   |
| Total Education Technology State Grants                            |               |                           | <u>116,091</u>            | <u>115,071</u>            |
| Rural and Low Income Education                                     |               |                           |                           |                           |
|  | 2011          | 84.358                    | 389                       | 6,149                     |
|  | 2012          |                           | 33,259                    | 30,228                    |
| Total Rural and Low Income Education                               |               |                           | <u>33,648</u>             | <u>36,377</u>             |
| Improving Teacher Quality State Grants                             |               |                           |                           |                           |
|  | 2011          | 84.367                    | 11,490                    | 21,506                    |
|  | 2012          |                           | 197,391                   | 183,106                   |
| Total Improving Teacher Quality State Grants                       |               |                           | <u>208,881</u>            | <u>204,612</u>            |
| ARRA - Race to the Top Incentive Grant, Resident Educator Program  | 2012          | 84.395                    | 1,050                     | 1,050                     |
| Education Jobs Fund  | 2012          | 84.410                    | 688,959                   | 688,959                   |
| Total U.S. Department of Education                                 |               |                           | <u>2,937,651</u>          | <u>2,925,997</u>          |
| <b>Total Federal Awards Receipts and Expenditures</b>              |               |                           | <b><u>\$3,800,147</u></b> | <b><u>\$3,788,493</u></b> |

*The Notes to the Federal Awards Receipts and Expenditures Schedule is 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, 2012**

**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 – SUBRECIPIENTS**

The School District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and the subrecipients achieve the award's performance goals.

**NOTE C – 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 D – 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.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2013. 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, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 20, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Cambridge City School District, Guernsey County (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

As described in Finding 2012-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its Education Jobs major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-001 to be a material weakness.

The School District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 20, 2013

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness reported for major federal programs?</b>                         | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified for all major programs except for the Cash Management requirement applicable to the Education Jobs major program, which we qualified. |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | Yes   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Special Education Cluster: Special Education, Grants to States – CFDA #84.027 and #84.173<br>Education Jobs Fund – CFDA #84.410                   |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes   |

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

None

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

|                                    |                              |
|------------------------------------|------------------------------|
| <b>Finding Number</b>              | 2012-001                     |
| <b>CFDA Title and Number</b>       | Education Job, CFDA #84.410  |
| <b>Federal Award Number / Year</b> | 2012                         |
| <b>Federal Agency</b>              | U.S. Department of Education |
| <b>Pass-Through Agency</b>         | Ohio Department of Education |

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement be the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 C.F.R. part 205, the time lapse between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Education Jobs Grant, six out of thirteen (46%) drawdowns were not spent within the period of time for which cash was requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

|                                    |                              |
|------------------------------------|------------------------------|
| <b>Finding Number</b>              | 2012-001                     |
| <b>CFDA Title and Number</b>       | Education Job, CFDA #84.410  |
| <b>Federal Award Number / Year</b> | 2012                         |
| <b>Federal Agency</b>              | U.S. Department of Education |
| <b>Pass-Through Agency</b>         | Ohio Department of Education |

**Noncompliance and Material Weakness – Cash Management (Continued)**

**Officials' Response and Corrective Action Plan:**

The issue mainly results from mid-year retirement of staff members who were being paid out of the Ed Jobs Fund #504. On 2 different occasions during the 2011-12 school year the district experienced nonroutine mid-year retirements. The Treasurer and the person who does payroll and employee insurances have reviewed the circumstances and are starting a new procedure to avoid future occurrences of this cash management issue. The corrective action/procedure will be that from this point forward, whenever there is any anticipated change in the employment status or insurance coverage cost or plan changes of staff being paid from a Federal Grant, the two of us will discuss the impact of these changes as soon as we become aware of them. This along with an intentional reduction in the amount of any PCR amount requested should result in Federal Grants that end up with a zero or negative month end cash balance in order to comply with the Cash Management Improvement Act (34 CFP 8.21) and the interpretation utilized by the Ohio Department of Education.

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# Dave Yost • Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2013**