



Dave Yost · Auditor of State



**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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***Opinion***

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 Cambridge City School District, Guernsey County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 5, 2015

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**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
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, 2014. 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 2014 are as follows:

- Net position of governmental activities decreased \$65,552.
- General revenues accounted for \$19,372,121 in revenue or 77 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,946,206 or 23 percent of total revenues of \$25,318,327.
- Total assets decreased \$575,701. The majority of this decrease is due to a decrease in capital assets.
- The School District had \$25,383,879 in expenses related to governmental activities; only \$5,946,206 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$19,372,121 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 Position 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 Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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*  
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These two statements report the School District's net position and changes in the position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, 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 interest and fiscal charges.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

### **Reporting the District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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, 2014*  
 Unaudited

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### The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

(Table 1)  
 Net Position

	Governmental Activities		
	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$15,763,564	\$15,506,525	\$257,039
Capital Assets, Net	<u>36,657,520</u>	<u>37,490,260</u>	<u>(832,740)</u>
<i>Total Assets</i>	<u>52,421,084</u>	<u>52,996,785</u>	<u>(575,701)</u>
<b>Liabilities</b>			
Current and Other Liabilities	3,189,480	3,383,930	(194,450)
Long-Term Liabilities			
Due Within One Year	461,669	554,916	(93,247)
Due in More Than One Year	<u>5,825,058</u>	<u>6,046,287</u>	<u>(221,229)</u>
<i>Total Liabilities</i>	<u>9,476,207</u>	<u>9,985,133</u>	<u>(508,926)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>4,115,480</u>	<u>4,116,703</u>	<u>(1,223)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	32,193,221	32,887,887	(694,666)
Restricted	3,886,464	4,257,179	(370,715)
Unrestricted	<u>2,749,712</u>	<u>1,749,883</u>	<u>999,829</u>
<i>Total Net Position</i>	<u>\$38,829,397</u>	<u>\$38,894,949</u>	<u>(\$65,552)</u>

Total assets decreased \$575,701. Current and other assets increased \$257,039 which is mostly attributable to increases in cash and investments held by the School District. The decrease in capital assets in the amount of \$832,740 is the result of depreciation exceeding capitalizations in the current period.

Total liabilities decreased by \$508,926. The majority of this decrease is attributable to the current year debt service payments on outstanding bond and lease liabilities. Current and other liabilities, specifically accrued wages and associated intergovernmental payables, decreased due to the timing of payrolls versus payroll periods.

Total net position of the School District's governmental activities reflects a slight decrease of \$65,522. Net investment in capital assets decreased \$694,666, due primarily to the decrease in capital assets as a result of depreciation expense exceeding capitalizations in the current period. The decrease is also due to changes in long-term liabilities related to capital assets. The largest change in net position is reflected in the unrestricted classification and is largely the result of the change in net position of the Self-Insurance Internal Service Fund.

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, compared to June 30, 2013.

(Table 2)  
 Changes in Net Position

	Governmental Activities		
	2014	2013	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,065,930	\$1,052,290	\$13,640
Operating Grants, Contributions, and Interest	4,880,276	3,591,710	1,288,566
Capital Grants and Contributions	0	28,363	(28,363)
Total Program Revenues	<u>5,946,206</u>	<u>4,672,363</u>	<u>1,273,843</u>
General Revenues			
Property Taxes	5,989,471	6,189,822	(200,351)
Grants and Entitlements	13,169,133	13,399,454	(230,321)
Interest	15,666	36,304	(20,638)
Gain on Sale of Capital Assets	8,800	0	8,800
Miscellaneous	189,051	238,584	(49,533)
Total General Revenues	<u>19,372,121</u>	<u>19,864,164</u>	<u>(492,043)</u>
Total Revenues	<u>25,318,327</u>	<u>24,536,527</u>	<u>781,800</u>
<b>Program Expenses</b>			
Instruction:			
Regular	10,988,200	11,361,779	(373,579)
Special	4,106,450	3,362,059	744,391
Vocational	152,544	96,897	55,647
Adult/Continuing	16,244	14,072	2,172
Student Intervention Services	38,662	1,022	37,640
Support Services:			
Pupils	1,578,808	1,599,016	(20,208)
Instructional Staff	428,510	866,879	(438,369)
Board of Education	97,480	77,435	20,045
Administration	1,511,945	1,555,976	(44,031)
Fiscal	644,700	545,271	99,429
Business	33,253	35,624	(2,371)
Operation and Maintenance of Plant	2,464,878	2,363,625	101,253
Pupil Transportation	1,083,815	1,195,595	(111,780)
Central	345,032	242,969	102,063
Food Service Operations	993,192	1,072,198	(79,006)
Other Non-Instructional Services	70,758	141,062	(70,304)
Extracurricular Activities	581,416	564,730	16,686
Interest and Fiscal Charges	247,992	317,938	(69,946)
Total Expenses	<u>25,383,879</u>	<u>25,414,147</u>	<u>(30,268)</u>
Change in Net Position	<u>(65,552)</u>	<u>(877,620)</u>	<u>812,068</u>
Net Position Beginning of Year	<u>38,894,949</u>	<u>39,772,569</u>	<u>(877,620)</u>
Net Position End of Year	<u>\$38,829,397</u>	<u>\$38,894,949</u>	<u>(\$65,552)</u>

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

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Property taxes made up approximately 31 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 1 percent from interest and miscellaneous receipts. The School District experienced a decrease in property taxes from fiscal year 2013 to fiscal year 2014. The decrease is due to a decrease in the millage of the debt service collections. The County Auditor reviews the balance in the Bond Retirement Debt Service Fund and adjusts the millage so that the balance is not excessive as compared to the future debt service requirements.

Instruction comprises approximately 60 percent of governmental program expenses and reflected a \$466,271 increase from fiscal year 2013. Overall, program expenses of the School District minimally changed by \$30,268, with the largest decrease being reflected in support services - instructional staff, due to the realignment of staff through attrition. The differences reflected in special instruction and instructional staff expenses were mainly the result of coding changes required by the State.

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 2014 compared to fiscal year 2013. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)  
 Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
	2014	2014	2013	2013
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,988,200	\$10,174,620	\$11,361,779	\$10,603,335
Special	4,106,450	1,274,769	3,362,059	2,229,176
Vocational	152,544	27,943	96,897	3,421
Adult/Continuing	16,244	16,244	14,072	14,072
Student Intervention Services	38,662	30,011	1,022	1,022
Support Services:				
Pupils	1,578,808	1,428,659	1,599,016	1,396,792
Instructional Staff	428,510	29,131	866,879	148,747
Board of Education	97,480	97,480	77,435	77,435
Administration	1,511,945	1,361,768	1,555,976	1,426,014
Fiscal	644,700	509,354	545,271	398,554
Business	33,253	33,253	35,624	35,624
Operation and Maintenance of Plant	2,464,878	2,326,234	2,363,625	2,217,684
Pupil Transportation	1,083,815	1,070,105	1,195,595	1,179,214
Central	345,032	345,032	242,969	233,393
Food Service Operations	993,192	78,973	1,072,198	30,088
Other Non-Instructional Services	70,758	(19,246)	141,062	26,879
Extracurricular Activities	581,416	405,351	564,730	402,396
Interest and Fiscal Charges	247,992	247,992	317,938	317,938
Total	<b>\$25,383,879</b>	<b>\$19,437,673</b>	<b>\$25,414,147</b>	<b>\$20,741,784</b>

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 75 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenue support is approximately 77 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 \$21,274,638 and expenditures of \$20,917,313. The fund balance of the General Fund increased \$357,325 from fiscal year 2013. This change is primarily due to an overall increase in intergovernmental revenues in the amount of \$1,252,129. This increase is offset by an increase in expenditures in the amount of \$471,204 over fiscal year 2013 primarily due to an increase in the School District's special instruction services.

The Bond Retirement Debt Service Fund had total revenues of \$563,638, which were less than expenditures of \$671,442, and resulted in a decrease in fund balance in the amount of \$107,804 from fiscal year 2013. 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. The millage for the debt service property tax revenues were reduced because of a more than adequate balance held in the fund for near future debt service requirements.

### ***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 2014, the School District did not amend its General Fund estimated resources and appropriations. As such, the budgetary statement reflects the same total original and final appropriated amounts. The actual results of operations were slightly different than budgeted amounts as spending in most current expenditure categories were more than budgeted amounts. However, in total, expenditures in the General Fund, including other financing uses, were below final budgeted amounts. Conservative revenue estimates in the intergovernmental revenue category resulted in final results exceeding estimated amounts in the amount of \$497,488.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2014, the School District had \$36,657,520 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2014 balances compared to 2013.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
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Unaudited

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

	Governmental Activities	
	2014	2013
Land	\$5,031,339	\$5,031,339
Land Improvements	316,179	348,982
Buildings and Improvements	30,218,253	31,253,569
Furniture and Fixtures	331,815	359,161
Machinery and Equipment	331,453	366,129
Vehicles	428,481	131,080
<b>Totals</b>	<b>\$36,657,520</b>	<b>\$37,490,260</b>

See Note 10 to the basic financial statements for more information on capital assets.

### ***Debt***

At June 30, 2014, the School District had \$4,821,979 in general obligation bonds outstanding (including premiums, and accretion), of which \$422,680 is due within one year. During fiscal year 2014, the School District made its final lease payment in the amount of \$1,707. During fiscal year 2014, the School District paid \$14,859 towards the buyout of their natural gas contract, and at year end, \$44,575 remained outstanding with \$14,859 being due within one year. See Note 14 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 still faces many challenges in today's environment although there is a possible bright spot in revenue as the result of the most recent Biennial State Budget. There is a projected growth in State Revenue for the District in Fiscal Year 2015 and 2016 based upon that State Budget. This growth is based upon a new funding formula. The reader must realize the reason for this increase is not fully understood nor do we know if this is just an aberration or a reversal in the trend so this estimated increase is subjective.

The School District's emergency operating levy generates approximately \$1,455,000 each year. A renewal of the existing emergency operating levy 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 2019.

### **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@omeresa.net](mailto:charles.radcliff@omeresa.net).

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**Cambridge City School District**

*Statement of Net Position*

*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,075,983
Cash and Cash Equivalents in Segregated Accounts	1,724
Cash and Cash Equivalents with Fiscal Agents	1,048,880
Investments in Segregated Accounts	24,316
Inventory Held for Resale	17,356
Materials and Supplies Inventory	59,523
Accounts Receivable	55,758
Intergovernmental Receivable	506,421
Prepaid Items	163,256
Property Taxes Receivable	7,810,347
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>31,626,181</u>
<i>Total Assets</i>	<u>52,421,084</u>
<b>Liabilities</b>	
Accounts Payable	188,279
Accrued Wages and Benefits Payable	2,131,113
Intergovernmental Payable	487,493
Tax Refund Payable	51,625
Accrued Interest Payable	14,381
Claims Payable	316,589
Long-Term Liabilities:	
Due Within One Year	461,669
Due In More Than One Year	<u>5,825,058</u>
<i>Total Liabilities</i>	<u>9,476,207</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	<u>4,115,480</u>
<b>Net Position</b>	
Net Investment in Capital Assets	32,193,221
Restricted for:	
Debt Service	2,237,969
Capital Projects	215,087
Food Service	427,664
Classroom Facilities Maintenance	816,099
State Programs	66,186
Federal Programs	10,625
Unclaimed Monies	12,869
Music Supplies:	
Non-Expendable	2,027
Expendable	500
Other Purposes	97,438
Unrestricted	<u>2,749,712</u>
<i>Total Net Position</i>	<u>\$38,829,397</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2014*

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	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$10,988,200	\$686,000	\$127,580	(\$10,174,620)
Special	4,106,450	21,448	2,810,233	(1,274,769)
Vocational	152,544	0	124,601	(27,943)
Adult/Continuing	16,244	0	0	(16,244)
Student Intervention Services	38,662	0	8,651	(30,011)
Support Services:				
Pupils	1,578,808	0	150,149	(1,428,659)
Instructional Staff	428,510	0	399,379	(29,131)
Board of Education	97,480	0	0	(97,480)
Administration	1,511,945	0	150,177	(1,361,768)
Fiscal	644,700	0	135,346	(509,354)
Business	33,253	0	0	(33,253)
Operation and Maintenance of Plant	2,464,878	16,208	122,436	(2,326,234)
Pupil Transportation	1,083,815	0	13,710	(1,070,105)
Central	345,032	0	0	(345,032)
Operation of Non-Instructional Services:				
Food Service Operations	993,192	166,209	748,010	(78,973)
Other Non-Instructional Services	70,758	0	90,004	19,246
Extracurricular Activities	581,416	176,065	0	(405,351)
Interest and Fiscal Charges	247,992	0	0	(247,992)
<i>Totals</i>	<b>\$25,383,879</b>	<b>\$1,065,930</b>	<b>\$4,880,276</b>	<b>(19,437,673)</b>

**General Revenues**

Property Taxes Levied For:

General Purposes	5,520,622
Debt Service	387,913
Capital Maintenance	80,936
Grants and Entitlements not	
Restricted to Specific Programs	13,169,133
Interest	15,666
Gain on Sale of Capital Assets	8,800
Miscellaneous	189,051

*Total General Revenues*

**19,372,121**

*Change in Net Position*

**(65,552)**

*Net Position Beginning of Year*

**38,894,949**

*Net Position End of Year*

**\$38,829,397**

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,611,763	\$1,994,552	\$1,754,440	\$5,360,755
Cash and Cash Equivalents in Segregated Accounts	0	0	1,724	1,724
Investments in Segregated Accounts	24,316	0	0	24,316
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	12,869	0	0	12,869
Receivables:				
Property Taxes	7,085,958	620,817	103,572	7,810,347
Accounts	23,261	0	5,516	28,777
Intergovernmental	56,378	0	450,043	506,421
Interfund Receivable	37,563	0	0	37,563
Prepaid Items	162,464	0	792	163,256
Inventory Held for Resale	0	0	17,356	17,356
Materials and Supplies Inventory	55,997	0	3,526	59,523
<i>Total Assets</i>	<u>\$9,070,569</u>	<u>\$2,615,369</u>	<u>\$2,336,969</u>	<u>\$14,022,907</u>
<b>Liabilities</b>				
Accounts Payable	\$163,509	\$0	\$24,770	\$188,279
Accrued Wages and Benefits Payable	1,845,771	0	285,342	2,131,113
Interfund Payable	0	0	37,563	37,563
Intergovernmental Payable	422,877	0	64,616	487,493
Tax Refund Payable	47,284	3,648	693	51,625
<i>Total Liabilities</i>	<u>2,479,441</u>	<u>3,648</u>	<u>412,984</u>	<u>2,896,073</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	3,702,050	359,371	54,059	4,115,480
Unavailable Revenue	1,721,055	128,890	199,744	2,049,689
<i>Total Deferred Inflows of Resources</i>	<u>5,423,105</u>	<u>488,261</u>	<u>253,803</u>	<u>6,165,169</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	55,997	0	3,526	59,523
Prepaid Items	162,464	0	792	163,256
Unclaimed Monies	12,869	0	0	12,869
Music Supplies	0	0	500	500
Restricted for:				
Debt Service	0	2,123,460	0	2,123,460
Capital Projects	0	0	215,087	215,087
Food Service Operations	0	0	464,612	464,612
State Grant Expenditures	0	0	8,964	8,964
Music Supplies	0	0	2,027	2,027
Classroom Facilities Maintenance	0	0	791,909	791,909
Other Purposes	0	0	100,174	100,174
Committed to:				
Encumbrances	36,145	0	0	36,145
Scholarships	0	0	49,404	49,404
Assigned to:				
Purchases on Order	316,347	0	0	316,347
Capital Projects	0	0	43,752	43,752
Other Purposes	33,355	0	0	33,355
Unassigned (Deficit)	550,846	0	(10,565)	540,281
<i>Total Fund Balances</i>	<u>1,168,023</u>	<u>2,123,460</u>	<u>1,670,182</u>	<u>4,961,665</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$9,070,569</u>	<u>\$2,615,369</u>	<u>\$2,336,969</u>	<u>\$14,022,907</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

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<b>Total Governmental Fund Balances</b>	\$4,961,665
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*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,657,520
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	1,805,914
Grants	170,975
Customer Sales and Services	5,516
Tuition and Fees	19,241
Extracurricular Activities	2,858
Miscellaneous Revenue	<u>45,185</u>
<b>Total</b>	2,049,689

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.	(14,381)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds - Serial	(4,335,000)
General Obligation Bonds - Capital Appreciation	(65,000)
Accretion on Capital Appreciation Bonds Interest	(357,680)
Premiums on Serial and Capital Appreciation Bonds	(64,299)
Energy USA Contract Buyout	(44,575)
Compensated Absences Payable	<u>(1,420,173)</u>
<b>Total</b>	(6,286,727)

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 position.	<u>1,461,631</u>
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<i>Net Position of Governmental Activities</i>	<u>\$38,829,397</u>
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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, 2014*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$5,403,002	\$429,283	\$79,119	\$5,911,404
Intergovernmental	14,933,420	134,355	3,018,881	18,086,656
Interest	13,001	0	1,042	14,043
Tuition and Fees	717,210	0	0	717,210
Rent	16,208	0	7,200	23,408
Extracurricular Activities	61,327	0	119,752	181,079
Gifts and Donations	0	0	2,429	2,429
Customer Sales and Services	0	0	165,542	165,542
Miscellaneous	130,470	0	200	130,670
<i>Total Revenues</i>	<u>21,274,638</u>	<u>563,638</u>	<u>3,394,165</u>	<u>25,232,441</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,640,286	0	107,033	10,747,319
Special	2,755,838	0	1,203,921	3,959,759
Vocational	154,293	0	0	154,293
Adult/Continuing	16,244	0	0	16,244
Student Intervention Services	28,898	0	9,092	37,990
Support Services:				
Pupils	1,358,613	0	153,651	1,512,264
Instructional Staff	19,108	0	415,457	434,565
Board of Education	94,035	0	0	94,035
Administration	1,328,570	0	149,107	1,477,677
Fiscal	585,092	22,917	3,889	611,898
Business	31,668	0	0	31,668
Operation and Maintenance of Plant	2,061,976	0	375,611	2,437,587
Pupil Transportation	1,104,625	0	330,543	1,435,168
Central	330,409	0	0	330,409
Operation of Non-Instructional Services:				
Food Service Operations	0	0	911,709	911,709
Other Non-Instructional Services	106	0	76,060	76,166
Extracurricular Activities	405,828	0	115,601	521,429
Debt Service:				
Principal Retirement	1,707	75,000	0	76,707
Capital Appreciation Bonds Interest	0	395,000	0	395,000
Interest and Fiscal Charges	17	178,525	0	178,542
<i>Total Expenditures</i>	<u>20,917,313</u>	<u>671,442</u>	<u>3,851,674</u>	<u>25,440,429</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>357,325</u>	<u>(107,804)</u>	<u>(457,509)</u>	<u>(207,988)</u>
<b>Other Financing Source</b>				
Proceeds from Sale of Capital Assets	0	0	8,800	8,800
<i>Net Change in Fund Balances</i>	<u>357,325</u>	<u>(107,804)</u>	<u>(448,709)</u>	<u>(199,188)</u>
<i>Fund Balances Beginning of Year</i>	<u>810,698</u>	<u>2,231,264</u>	<u>2,118,891</u>	<u>5,160,853</u>
<i>Fund Balances End of Year</i>	<u>\$1,168,023</u>	<u>\$2,123,460</u>	<u>\$1,670,182</u>	<u>\$4,961,665</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, 2014*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$199,188)
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*Amounts reported for governmental activities in the statement of activities  
 are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital Asset Additions	393,155
Depreciation Expense	<u>(1,225,895)</u>
Total	(832,740)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds and gain on disposal of assets:

Proceeds from Sale of Capital Assets	(8,800)
Gain on Disposal of Capital Assets	<u>8,800</u>
Total	0

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

Property Taxes	78,067
Intergovernmental	(40,579)
Tuition and Fees	(16,962)
Extracurricular Activities	(5,014)
Charges for services	667
Miscellaneous Revenue	<u>17,126</u>
Total	33,305

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

General Obligation Bonds	75,000
Capital Appreciation Bond Interest	395,000
Capital Leases	<u>1,707</u>
Total	471,707

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Accretion of Interest	(130,817)
Amortization of Capital Appreciation Bond Premium	56,567
Amortization of Serial Bond Premium	<u>4,800</u>
Total	(69,450)

Some expenses 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:

Compensated Absences	(102,640)
Energy USA Buyout Contract	<u>14,859</u>
	(87,781)

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 position of the internal service fund is reported with governmental activities.

618,595

(\$65,552)

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, 2014*

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$5,386,200	\$5,386,200	\$5,384,047	(\$2,153)
Intergovernmental	14,466,452	14,466,452	14,963,940	497,488
Interest	9,400	9,400	10,962	1,562
Tuition and Fees	601,500	601,500	717,004	115,504
Rent	14,000	14,000	16,208	2,208
Extracurricular Activities	50,500	50,500	61,327	10,827
Miscellaneous	180,400	180,400	177,596	(2,804)
<i>Total Revenues</i>	<i>20,708,452</i>	<i>20,708,452</i>	<i>21,331,084</i>	<i>622,632</i>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,486,165	11,486,165	10,970,528	515,637
Special	2,356,078	2,356,078	2,745,561	(389,483)
Vocational	120,221	120,221	156,855	(36,634)
Adult/Continuing	15,000	15,000	16,244	(1,244)
Student Intervention Services	11,310	11,310	22,688	(11,378)
Support Services:				
Pupils	1,343,344	1,343,344	1,330,505	12,839
Instructional Staff	82,741	91,741	87,674	4,067
Board of Education	59,857	59,857	111,545	(51,688)
Administration	1,418,631	1,418,631	1,372,887	45,744
Fiscal	540,125	540,125	575,059	(34,934)
Business	46,860	46,860	39,047	7,813
Operation and Maintenance of Plant	2,218,759	2,218,759	2,239,030	(20,271)
Pupil Transportation	1,236,528	1,236,528	1,145,458	91,070
Central	266,973	266,973	340,977	(74,004)
Operation of Non-Instructional Services	510	510	106	404
Extracurricular Activities	351,406	351,406	416,027	(64,621)
Debt Service:				
Principal Retirement	1,707	1,707	1,707	0
Interest and Fiscal Charges	17	17	17	0
<i>Total Expenditures</i>	<i>21,556,232</i>	<i>21,565,232</i>	<i>21,571,915</i>	<i>(6,683)</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(847,780)</i>	<i>(856,780)</i>	<i>(240,831)</i>	<i>615,949</i>
<b>Other Financing Source (Use)</b>				
Insurance Recoveries	10,000	10,000	0	(10,000)
Other Financing Uses	(274,000)	(265,000)	0	265,000
<i>Total Other Financing Source (Use)</i>	<i>(264,000)</i>	<i>(255,000)</i>	<i>0</i>	<i>255,000</i>
<i>Net Change in Fund Balance</i>	<i>(1,111,780)</i>	<i>(1,111,780)</i>	<i>(240,831)</i>	<i>870,949</i>
<i>Fund Balance Beginning of Year</i>	<i>798,182</i>	<i>798,182</i>	<i>798,182</i>	<i>0</i>
Prior Year Encumbrances Appropriated	575,327	575,327	575,327	0
<i>Fund Balance End of Year</i>	<i>\$261,729</i>	<i>\$261,729</i>	<i>\$1,132,678</i>	<i>\$870,949</i>

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2014*

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	Governmental Activity
	<u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$702,359
Cash and Cash Equivalents with Fiscal Agents	1,048,880
Accounts Receivable	<u>26,981</u>
 <i>Total Assets</i>	 1,778,220
 <b>Current Liabilities</b>	
Claims Payable	<u>316,589</u>
 <b>Net Position</b>	
Unrestricted	<u>\$1,461,631</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2014*

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	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$4,309,002
Other Revenues	41,255
<i>Total Operating Revenues</i>	<u>4,350,257</u>
<b>Operating Expenses</b>	
Purchased Services	978,213
Claims	2,755,975
<i>Total Operating Expenses</i>	<u>3,734,188</u>
<i>Operating Income</i>	616,069
<b>Non-Operating Revenues</b>	
Interest	<u>2,526</u>
<i>Net Change in Net Position</i>	618,595
<i>Net Position Beginning of Year</i>	<u>843,036</u>
<i>Net Position End of Year</i>	<u>\$1,461,631</u>

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, 2014*

---

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$4,309,002
Cash Received from Other Operating Sources	41,255
Cash Payments for Goods and Services	(978,213)
Cash Payments for Claims	<u>(2,820,427)</u>
Net Cash Provided by Operating Activities	<u>551,617</u>
<b>Cash Flows from Investing Activities</b>	
Interest	<u>2,526</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>554,143</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,197,096</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,751,239</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$616,069
Changes in Liabilities:	
Increase in Accounts Receivable	(26,592)
Increase in Claims Payable	<u>(37,860)</u>
Net Cash Provided by Operating Activities	<u>\$551,617</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2014*

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	Private Purpose	
	Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$430,662	\$36,683
Cash and Cash Equivalents in Segregated Accounts	<u>38,377</u>	<u>0</u>
<i>Total Assets</i>	<u>469,039</u>	<u>\$36,683</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$36,683</u>
<b>Net Position</b>		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	<u>135,324</u>	
<i>Total Net Position</i>	<u><u>\$469,039</u></u>	

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*June 30, 2014*

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$18,276
Interest	640
<i>Total Additions</i>	<i>18,916</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>24,675</u>
<i>Change in Net Position</i>	<i>(5,759)</i>
<i>Net Position Beginning of Year</i>	<u>474,798</u>
<i>Net Position End of Year</i>	<u>\$469,039</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and three support facilities staffed by 122 classified employees and 179 certified personnel, who provide services to 2,383 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 the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on, the primary government. 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, and the Metropolitan Educational Council (MEC), which are jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) and the Jefferson Health Plan Self-Insurance Plan which are defined insurance purchasing pools. These organizations are presented in Notes 15 and 16 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 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, 2014*

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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, 2014*

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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 position, 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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, student, and athletic 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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*  
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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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, miscellaneous accounts receivable, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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. A portion of the medical/surgical, prescription drug, and dental claims 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 2014, 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 2014 amounted to \$13,001, which includes \$8,505 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, 2014, 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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 position but are not reported on the fund financial statements.

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

**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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***K. Compensated Absences***

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

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

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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the 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” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***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.

***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 School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned 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 School District Board of Education delegated that authority by Resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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**O. Bond Premiums and Discounts**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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 discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

**P. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes mostly includes music and athletic programs restricted to expenditure for specified purposes.

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

**Q. Operating Revenues and Expenses**

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

**R. Extraordinary and Special Items**

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

**S. Estimates**

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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#### **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.

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 - Accountability**

The following special revenue funds had deficit fund balances as of June 30, 2014:

Idea B	\$3,580
Title I	4,326
Miscellaneous Federal Grants	1,898

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 4 - 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.
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		<u>General</u>
GAAP Basis		\$357,325
Revenue Accruals		58,485
Fiscal Year 2013 Market Value Adjustment		20,539
Fiscal Year 2014 Market Value Adjustment		(22,578)
Fiscal Year 2013 Prepaid Items		74,633
Fiscal Year 2014 Prepaid Items		(162,464)
Expenditure Accruals		(35,516)
Encumbrances		(531,255)
Budget Basis		<u><u>(\$240,831)</u></u>

### **Note 5 - 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.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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.

At June 30, 2014, the School District's Internal Service Fund had a balance of \$1,048,880 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (see Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained by the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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### ***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, \$763,359 of the School District's bank balance of \$7,028,609, including the payroll account balance of \$248,479, 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***

As of June 30, 2014, the School District had the following investment, of which is a part of the internal investment pool:

	Fair Value	Maturity	S&P Rating	Percent of Total Investments
JP Morgan Chase & Co. Common Stock	\$24,316	N/A	Not Rated	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 6 - 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014 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 inflow of resources for property taxes.

The amount available as an advance, and recognized as revenue at June 30, 2014, was \$1,731,074 in the General Fund, \$25,323 in the Classroom Facilities Maintenance Special Revenue Fund, and \$132,556 in the Bond Retirement Debt Service Fund. At June 30, 2013, \$1,712,119 was available as an advance in the General Fund, \$25,021 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$187,583 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 reported as deferred inflows of resources – unavailable revenue. The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$202,228,080	90.53%	\$202,600,960	89.98%
Public Utility Personal	21,164,660	9.47%	22,573,690	10.02%
Total	<u>\$223,392,740</u>	<u>100.00%</u>	<u>\$225,174,650</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$38.30	\$37.35
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*Notes to the Basic Financial Statements*  
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The decrease in millage from the prior year is due a decrease in the tax rate of the Bond Retirement Debt Service Fund. The County Auditor reviews the balance in this fund and adjusts the millage so that the balance is not excessive as compared to the future debt service requirements.

### **Note 7 - Receivables**

Receivables at June 30, 2014 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 \$1,805,914 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:

#### **Governmental Activities:**

Retirement Overpayments	\$45,185
Early Childhood Grant	57,385
IDEA Part B	49,492
Title I	257,539
Title VI-B Rural	26,654
Title II-A	58,973
Medicaid Reimbursements	8,435
Miscellaneous Accounts Receivable	<u>2,758</u>
	<u><u>\$506,421</u></u>

### **Note 8 - 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 2014, the School District purchased the following coverage:

<u>Barengo Insurance Agency</u>		
Property Blanket	\$96,830,466	
General Liability	\$3,000,000	annual aggregate
Inland Marine	\$250,000/\$500,000	\$500/\$250 deductible
Commercial Crime	\$25,000-\$100,000	\$500-\$1,000 deductible
Commerical Automobile	\$5,000-\$1,000,000	each accident
Excess Liability	\$6,000,000	annual aggregate

#### W.B. Green & Co., Inc.

Treasurer Bond Insurance	\$50,000
Blanket Bond Insurance covering 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***B. Workers' Compensation***

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District is a member of the Jefferson Health Plan 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 Jefferson Health Plan self-insured plan. The Board pays 87 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 \$782.03 for single coverage and \$1,796.57 for family coverage on medical/surgical and prescription drug coverage. The total monthly cost of the premiums for dental coverage is \$35.99 for single and \$82.69 for family coverage.

The claims liability of \$316,589 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

Year	Balance at			
	Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2013	\$436,843	\$2,525,357	\$2,607,751	\$354,449
2014	354,449	2,782,567 (1)	2,820,427	316,589
(1) Claims Expense		\$2,755,975		
Net Increase in Stop Loss Receivable		26,592		
Current Year Claims		<u><u>\$2,782,567</u></u>		

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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## **Note 9 - 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 American United Life Insurance in the amount of \$30,000 for classified employees, \$25,000 for certified employees, and \$100,000 for administrators.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 06/30/2013	Additions	Reductions	Balance 06/30/2014
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	<u>5,031,339</u>	<u>0</u>	<u>0</u>	<u>5,031,339</u>
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,359,756	11,860	(17,720)	42,353,896
Furniture and Fixtures	571,101	0	0	571,101
Machinery and Equipment	1,355,246	39,680	0	1,394,926
Vehicles	<u>1,404,686</u>	<u>341,615</u>	<u>(150,079)</u>	<u>1,596,222</u>
Total capital assets being depreciated	<u>46,346,845</u>	<u>393,155</u>	<u>(167,799)</u>	<u>46,572,201</u>
Accumulated depreciation				
Land Improvements	(307,074)	(32,803)	0	(339,877)
Buildings and Improvements	(11,106,187)	(1,047,176)	17,720	(12,135,643)
Furniture and Fixtures	(211,940)	(27,346)	0	(239,286)
Machinery and Equipment	(989,117)	(74,356)	0	(1,063,473)
Vehicles	<u>(1,273,606)</u>	<u>(44,214)</u>	<u>150,079</u>	<u>(1,167,741)</u>
Total accumulated depreciation	<u>(13,887,924)</u>	<u>(1,225,895) *</u>	<u>167,799</u>	<u>(14,946,020)</u>
Capital assets being depreciated, net	<u>32,458,921</u>	<u>(832,740)</u>	<u>0</u>	<u>31,626,181</u>
Governmental Activities capital assets, net	<u>\$37,490,260</u>	<u>(\$832,740)</u>	<u>\$0</u>	<u>\$36,657,520</u>

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

Instruction:	
Regular	\$505,519
Special	149,587
Vocational	4,311
Intervention	672
Support Services:	
Pupils	77,825
Instructional Staff	38,570
Board of Education	3,445
Administration	77,956
Fiscal	24,261
Business	1,585
Operation and Maintenance of Plant	112,160
Pupil Transportation	45,968
Central	18,615
Extracurricular Activities	59,987
Operation of Non-Instructional Services	6,276
Food Service Operations	99,158
Total Depreciation Expense	<u>\$1,225,895</u>

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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## **Note 11 - 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 defined benefit 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can 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 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013, and 2012 were \$310,322, \$321,812 and \$306,758, respectively. For fiscal year 2014, 80.59 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

### **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 system. 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 can 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 multiplied by 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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A DB or Combined Plan member with five or more years of 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 the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. 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 to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,242,421 and \$13,730 for the fiscal year ended June 30, 2014, \$1,225,004 and \$17,036 for the fiscal year ended June 30, 2013, and \$1,240,549 and \$16,933 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.70 percent has been contributed for the DB plan and 85.79 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$16,519 made by the School District and \$12,979 made by the plan members. In addition, member contributions of \$10,788 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

**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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 12 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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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 fiscal year 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$40,750 in surcharge.

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, 2014, 2013, and 2012 were \$43,960, \$42,799, and \$43,881, respectively. For fiscal year 2014, 5.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$18,103, \$18,023, and \$17,793, respectively. For fiscal year 2014, 80.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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

Plan Description - The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$95,571, \$94,231, and \$98,321, respectively. For fiscal year 2014, 83.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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### **Note 13 - 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 which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

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 completely depreciated as of June 30, 2014. Principal payments in fiscal year 2014 totaled \$1,707, in the governmental funds which resulted in the final payoff of the lease obligation.

### **Note 14 - Long-Term Obligations**

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

	Principal Outstanding 06/30/13	Additions	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<b>Governmental Activities:</b>					
2005 Classroom Facilities					
Refunding General Obligation Bonds:					
Serial Bonds - 3.25%-5.5%	\$4,335,000	\$0	\$0	\$4,335,000	\$0
Original Issue of Capital Appreciation Bonds - 22.66%-23.63%	140,000	0	75,000	65,000	65,000
Accretion on Capital Appreciation Bonds	621,863	130,817	395,000	357,680	357,680
Premium on Capital Appreciation Bonds	80,434	0	56,567	23,867	0
Premium on Serial Bonds	45,232	0	4,800	40,432	0
Total 2005 Bonds	<u>5,222,529</u>	<u>130,817</u>	<u>531,367</u>	<u>4,821,979</u>	<u>422,680</u>
Energy USA Contract Buyout	59,434	0	14,859	44,575	14,859
Capital Leases	1,707	0	1,707	0	0
Compensated Absences	1,317,533	205,120	102,480	1,420,173	24,130
Total Governmental Activities	<u>\$6,601,203</u>	<u>\$335,937</u>	<u>\$650,413</u>	<u>\$6,286,727</u>	<u>\$461,669</u>

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, Auxiliary Services, Miscellaneous State Grants, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds.

In September 2012, the School District opted to discontinue its contract with Energy USA. The cost to buy out the remaining contract was \$74,293, which is to be paid in five equal annual installments of \$14,859. This contract payable will be paid from the General Fund.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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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 position. The defeased bonds were called and fully repaid in December 2010. These bonds will be retired from the Bond Retirement Debt Service Fund with proceeds from a tax levy.

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

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$56,567 was amortized in fiscal year 2014. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The total maturity amount of the bonds is \$940,000. For the fiscal year 2014, \$130,817 was accreted, and \$470,000 was paid to bond holders, leaving a remaining capital appreciation bond value of \$422,680.

The overall debt margin of the School District as of June 30, 2014, was \$17,974,519, with an unvoted debt margin of \$225,012.

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2015	\$0	\$178,525	\$65,000	\$405,000
2016	470,000	169,125	0	0
2017	485,000	149,119	0	0
2018	505,000	128,381	0	0
2019	530,000	105,725	0	0
2020-2022	2,345,000	191,900	0	0
	<b>\$4,335,000</b>	<b>\$922,775</b>	<b>\$65,000</b>	<b>\$405,000</b>

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 15 - 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 exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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During fiscal year 2014, the amount paid to OME-RESA from the School District was \$65,824 for cooperative purchasing, 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 exercised total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2014, 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 266 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 59 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 either the superintendent, a designated representative, or a member of the board of education for each participating Educational Service Center in Franklin County (18 educational service centers) and one representative from each county. The board exercised total control over the operations of MEC including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2014, the School District made a payment of \$982 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Cindy Nye, who serves as interim fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

**Note 16 - Risk Sharing, Claims Servicing, and Insurance Purchasing Pools**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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***B. The Jefferson Health Plan Self-Insurance Plan***

The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. 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 \$150,000 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 Met Life.

**Note 17 - 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, 2014, if applicable, cannot be determined at this time.

***B. Litigation***

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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**Note 18 - 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 Improvements Reserve
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	379,385
Current Year Offsets	(563,127)
Current Year Qualifying Disbursements	(595,813)
Total	<u><u>(\$779,555)</u></u>
Set-aside Reserve Balance as of June 30, 2014	<u><u>\$0</u></u>

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.

**Note 19 - Internal Balances**

The governmental balance sheet reflects interfund receivables and payables in the amount of \$37,563. This is the result of cash deficit balances in the Idea Part B Federal Grant, Title I Federal Grant, and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$10,492, \$13,206, and \$13,865, respectively, which were covered by cash advances from the General Fund.

The above interfund balances are anticipated to be repaid within one fiscal year.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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### **Note 20 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. The endowments are \$333,715. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$135,324 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 21 - Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<u>Governmental Funds</u>	<u>Encumbrances</u>
General Fund	\$531,255
Nonmajor Governmental Funds	<u>272,342</u>
Total Governmental Funds	<u><u>\$803,597</u></u>

### **Note 22 - Subsequent Events**

Pursuant to the current employment contract between the School District and the Cambridge Education Association, effective July 1, 2013, through June 30, 2015, there is a raise in base salary of 1.25 percent each year of the contract, as well as the resumption of step increases, which had been frozen. This contract requires a 13.5 percent employee contribution for health insurance in fiscal year 2015, and there is no longer a cap for maximum employee share.

On October 2, 2014, the School District issued \$1,146,020 in Energy Conservation Improvement Bonds which consisted of \$300,000 in Current Interest Serial Bonds, \$805,000 in Current Interest Term Bonds, and \$41,020 in Capital Appreciation Bonds. These general obligation bonds will be used to finance the cost of energy conservation measures throughout the School District and will be repaid from the General Fund.

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program Title</b>	<b>Fiscal Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed-Through Ohio Department of Education.</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Donation)	2013 / 2014	10.555	\$9,925	\$9,925
Cash Assistance:				
School Breakfast Program	2013 / 2014	10.553	199,251	199,251
National School Lunch Program	2013 / 2014	10.555	509,677	509,677
Cash Assistance Subtotal			708,928	708,928
Total Child Nutrition Cluster			718,853	718,853
State Administrative Expenses for Child Nutrition	2013	10.560	0	2,579
Total U.S. Department of Agriculture			718,853	721,432
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed-Through Ohio Department of Education.</i>				
Title I Grants to Local Educational Agencies:				
Title I Grants to Local Educational Agencies	2013	84.010	170,760	149,333
	2014		1,006,528	1,010,466
Title I Program for Neglected and Delinquent Children	2013		88	0
	2014		17,359	17,924
Title I Grants to Local Educational Agencies, School Improvement	2014		45,116	53,797
Total Title I Grants to Local Educational Agencies			1,239,851	1,231,520
Special Education Cluster:				
Special Education, Grants to States (IDEA, Part B)	2013	84.027	93,536	88,209
	2014		498,968	509,452
Total Special Education, Grants to States (IDEA, Part B)			592,504	597,661
Special Education - Preschool Grants	2014	84.173	25,172	25,172
Total Special Education (IDEA) Cluster			617,676	622,833
Rural and Low Income Education	2013	84.358	8,601	8,332
	2014		27,294	37,176
Total Rural and Low Income Education			35,895	45,508
Improving Teacher Quality State Grants	2013	84.367	26,555	23,759
	2014		125,428	129,389
Total Improving Teacher Quality State Grants			151,983	153,148
ARRA - Resident Educator Program (Race to the Top)	2014	84.395	4,550	4,550
Total U.S. Department of Education			2,049,955	2,057,559
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$2,768,808</b>	<b>\$2,778,991</b>

*The accompanying notes are an integral part of this schedule.*

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 the 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 that 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**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 5, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Cambridge City School District  
Guernsey County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 5, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Cambridge City School District's, Guernsey County, Ohio (the School District) compliance with the applicable 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, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Cambridge City School District  
Guernsey County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133  
Page 2

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 5, 2015

CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"><li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li><li>• Special Education Cluster – CFDA #84.027 and #84.173</li></ul>	
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 19, 2015