



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2018**

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Cambridge City School District  
Guernsey County  
518 South 8<sup>th</sup> Street  
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 the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2018, 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 such 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 the Cambridge City School District, Guernsey County, Ohio, as of June 30, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### **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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, 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.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2019

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**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
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, 2018. 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 2018 are as follows:

- Net position of governmental activities increased \$11,885,442.
- General revenues accounted for \$20,022,004 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 \$5,936,165 or 23 percent of total revenues of \$25,958,169.
- Total assets increased \$697,265, as a result of a combination of increases in current and other assets and a decrease in capital assets. In addition, deferred outflows increased by \$1,341,236 primarily due to pension and OPEB related items.
- The School District had \$14,072,727 in expenses related to governmental activities; only \$5,936,165 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$20,022,004 were 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 and also provide information in more detail than the government-wide statements.

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While these documents contain 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 2018?" 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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Unaudited

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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 13. 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, 2018*  
 Unaudited

**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 2018 compared to 2017.

(Table 1)  
 Net Position

	Governmental Activities		
	2018	2017	Change
<b>Assets</b>			
Current and Other Assets	\$18,421,560	\$16,514,700	\$1,906,860
Capital Assets, Net	33,344,720	34,554,315	(1,209,595)
<i>Total Assets</i>	<u>51,766,280</u>	<u>51,069,015</u>	<u>697,265</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	27,644	33,173	(5,529)
Pension	7,407,872	6,269,134	1,138,738
OPEB	248,483	40,456	208,027
<i>Total Deferred Outflows of Resources</i>	<u>7,683,999</u>	<u>6,342,763</u>	<u>1,341,236</u>
<b>Liabilities</b>			
Current and Other Liabilities	2,676,119	2,388,971	287,148
Long-Term Liabilities			
Due Within One Year	746,647	648,587	98,060
Due in More Than One Year:			
Net Pension Liability	25,511,879	35,510,407	(9,998,528)
Net OPEB Liability	5,507,931	7,016,719	(1,508,788)
Other Amounts Due in More Than One Year	4,401,794	4,963,526	(561,732)
<i>Total Liabilities</i>	<u>38,844,370</u>	<u>50,528,210</u>	<u>(11,683,840)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,409,009	4,262,189	146,820
Pension	1,824,686	850,582	974,104
OPEB	715,975	0	715,975
<i>Total Deferred Inflows of Resources</i>	<u>6,949,670</u>	<u>5,112,771</u>	<u>1,836,899</u>
<b>Net Position</b>			
Net Investment in Capital Assets	29,456,370	30,227,013	(770,643)
Restricted	3,299,441	3,259,760	39,681
Unrestricted (Deficit)	(19,099,572)	(31,715,976)	12,616,404
<i>Total Net Position</i>	<u>\$13,656,239</u>	<u>\$1,770,797</u>	<u>\$11,885,442</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
Unaudited

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

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*Management's Discussion and Analysis*  
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Unaudited

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In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$8,747,060 to \$1,770,797.

Total assets increased \$697,265 as a result of an increase in current and other assets and a decrease in capital assets. Cash and cash equivalents increased by \$1,643,104 as the School District strives to maintain a health working balance in as many areas as possible. Conservative spending efforts by the School District, along with consistent revenue streams, were sufficient to meet the increasing daily operating expenses. In addition, there was an increase in intergovernmental receivables in the amount of \$317,781. Timing of state and federal grant requests results in fluctuations from year to year based on operational needs. In addition, foundation adjustments have increased from the prior year as the state continues to reconcile amounts owed to the School District at year end. A workers' compensation rebate also added to this increase in intergovernmental receivables. Offsetting these increases were minimal decreases in property taxes receivable and inventories which resulted in a net increase in current and other assets of \$1,906,860. Capital assets decreased in the amount of \$1,209,595 as a result of depreciation exceeding capitalization of assets in the current period.

Deferred outflows of resources increased in the amount of \$1,341,236. The increase was primarily due to an increase in the changes of assumptions related to the School District's proportionate share of the net pension liability. In addition, deferred outflows of resources increased as a result of the differences between expected and actual experience relating to the OPEB liability.

Total liabilities decreased by \$11,683,840. Current and other liabilities reflect an increase of \$287,148. Accrued wages and benefits increased in the amount of \$364,210. Based upon the fiscal year 2018 payroll schedule, additional days were accrued at year-end as compared to the prior period. Intergovernmental payables decreased in the amount of \$172,300 as retirement true-ups and educational service center reconciliations have declined from the prior year. Long-term liabilities, excluding the pension and OPEB liabilities, decreased in the amount of \$463,672 as the School District continues to make required debt service payments and severance payments to retiring personnel.

Deferred inflows of resources from property taxes increased by \$146,820. The amount available as an advance (revenue) decreased from the prior year which proportionately increases the deferred amount. In addition, increases in the pension and OPEB components contributed to the overall increase in deferred inflows of resources in the amount of \$1,836,899.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the School District has improved as evidenced by the increase in net position in the amount of \$11,885,442. The largest change is in unrestricted net position due primarily to the change in pension and OPEB related items as discussed elsewhere. Net investment in capital assets decreased \$770,643, due primarily to the decrease in capital assets as a result of depreciation expense exceeding capitalization of assets in the current period. The decrease is also due to changes in long-term liabilities related to capital assets. The minimal increase in restricted net position in the amount of \$39,681 is the result of the consistent application of restricted resources such as state and federal programs and classroom facilities maintenance.

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*Management's Discussion and Analysis*  
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**Unaudited**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, compared to June 30, 2017.

(Table 2)  
Changes in Net Position

	Governmental Activities		Change
	2018	2017	
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$1,313,535	\$1,417,272	(\$103,737)
Operating Grants, Contributions, and Interest	4,622,630	4,907,042	(284,412)
Capital Grants and Contributions	0	100,134	(100,134)
<b>Total Program Revenues</b>	<b>5,936,165</b>	<b>6,424,448</b>	<b>(488,283)</b>
<b>General Revenues</b>			
Property Taxes	6,541,317	6,518,558	22,759
Grants and Entitlements	12,984,992	13,205,779	(220,787)
Interest	102,009	64,233	37,776
Gain on Sale of Capital Assets	112,162	7,600	104,562
Miscellaneous	281,524	205,710	75,814
<b>Total General Revenues</b>	<b>20,022,004</b>	<b>20,001,880</b>	<b>20,124</b>
<b>Total Revenues</b>	<b>25,958,169</b>	<b>26,426,328</b>	<b>(468,159)</b>
<b>Program Expenses</b>			
<b>Instruction:</b>			
Regular	4,674,011	12,438,134	(7,764,123)
Special	1,838,255	4,440,787	(2,602,532)
Vocational	89,131	104,562	(15,431)
Adult/Continuing	5,363	0	5,363
Student Intervention Services	29,489	57,457	(27,968)
<b>Support Services:</b>			
Pupils	714,924	1,391,557	(676,633)
Instructional Staff	145,018	301,639	(156,621)
Board of Education	175,938	289,050	(113,112)
Administration	694,855	1,841,648	(1,146,793)
Fiscal	534,951	650,438	(115,487)
Business	65,267	53,163	12,104
Operation and Maintenance of Plant	2,076,241	2,414,403	(338,162)
Pupil Transportation	1,073,509	1,323,075	(249,566)
Central	376,902	442,075	(65,173)
Food Service Operations	926,999	1,107,697	(180,698)
Other Non-Instructional Services	128,482	102,270	26,212
Extracurricular Activities	428,021	626,030	(198,009)
Interest and Fiscal Charges	95,371	86,201	9,170
<b>Total Expenses</b>	<b>14,072,727</b>	<b>27,670,186</b>	<b>(13,597,459)</b>
<b>Change in Net Position</b>	<b>11,885,442</b>	<b>(1,243,858)</b>	<b>13,129,300</b>
Net Position Beginning of Year	1,770,797	N/A	
<b>Net Position End of Year</b>	<b>\$13,656,239</b>	<b>\$1,770,797</b>	<b>\$11,885,442</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$40,456 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$950,802. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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*Management's Discussion and Analysis*  
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 Unaudited

Total 2018 program expenses under GASB 75	\$14,072,727
Negative OPEB expense under GASB 75	950,802
2018 contractually required contribution	<u>40,456</u>
Adjusted 2018 program expenses	15,063,985
Total 2017 program expenses under GASB 45	<u>27,670,186</u>
Decrease in program expenses not related to OPEB	<u><u>(\$12,606,201)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from \$2,586,346 in fiscal year 2017 to a negative pension expense of \$8,578,476 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<b>2018 Program Expenses Related to Negative Pension Expense</b>
<b>Instruction:</b>	
Regular	\$5,331,685
Special	1,516,024
Vocational	31,775
Adult/Continuing	385
Student Intervention Services	1,244
<b>Support Services:</b>	
Pupils	519,192
Instructional Staff	86,548
Board of Education	1,068
Administration	775,270
Fiscal	27,037
Operation and Maintenance of Plant	51,609
Pupil Transportation	56,108
Central	22,430
Operation of Non-Instructional Services	47,477
Extracurricular Activities	<u>110,624</u>
<b>Total Expenses</b>	<u><u>\$8,578,476</u></u>

The School District's net position increased \$11,885,442. As indicated in Table 2, the largest revenue fluctuation is evident in restricted and unrestricted grants, contributions, and interest. Operating grants, contributions, and interest decreased in the amount of \$284,412. State and federal programs and the timing of such receipts in the available period have fluctuated from the prior year and is the predominant reason for this decrease. Decreases in State foundation due to decreasing enrollment resulted in the decrease in unrestricted grants and entitlements in the amount of \$220,787.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation.

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*Management's Discussion and Analysis*  
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Unaudited

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As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up approximately 33 percent of general revenues for governmental activities for the Cambridge City School District. Property taxes revenue increased by less than one percent or \$22,759. This minimal change is the result of consistent cash collections and receivable accruals. Of the remaining general revenues, the School District receives 65 percent from state foundation and unrestricted federal and state grants, and 2 percent from interest, gain on sale of capital assets, and miscellaneous revenues.

Instruction comprises approximately 47 percent of governmental program expenses and reflected a \$10,404,691 decrease from fiscal year 2017. Of the instructional expenses, approximately 70 percent is for regular instruction, 28 percent is for special instruction, 1 percent is for vocational instruction, and 1 percent is for adult/continuing and student intervention instructions. Expenses have decreased in the majority of programs with the largest changes in expenses being reflected in regular instruction, special instruction, and administration expenses. These decreases are the direct result of negative pension/OPEB expense as explained earlier. Without the negative pension/OPEB expense, the decrease in program expenses are the result of conservative administrative financial decisions which are contributing to the increase in cash and cash equivalents.

Enrollment plays a major role in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in open enrollment State foundation adjustments in the amount of \$1,017,828 as a result of a greater number of students leaving to attend other school districts as compared to incoming students from other school districts.

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 2018 compared to fiscal year 2017. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
 Unaudited

(Table 3)  
 Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$4,674,011	\$3,392,136	\$12,438,134	\$11,257,569
Special	1,838,255	(777,349)	4,440,787	1,453,550
Vocational	89,131	12,682	104,562	27,382
Adult/Continuing	5,363	(2,971)	0	0
Student Intervention Services	29,489	29,489	57,457	57,457
Support Services:				
Pupils	714,924	678,484	1,391,557	1,239,180
Instructional Staff	145,018	(61,315)	301,639	84,768
Board of Education	175,938	175,938	289,050	289,050
Administration	694,855	413,122	1,841,648	1,633,427
Fiscal	534,951	418,135	650,438	544,359
Business	65,267	65,267	53,163	53,163
Operation and Maintenance of Plant	2,076,241	1,862,392	2,414,403	2,169,506
Pupil Transportation	1,073,509	1,073,509	1,323,075	1,323,075
Central	376,902	368,322	442,075	437,772
Food Service Operations	926,999	148,062	1,107,697	148,825
Other Non-Instructional Services	128,482	30,004	102,270	4,507
Extracurricular Activities	428,021	215,284	626,030	435,947
Interest and Fiscal Charges	95,371	95,371	86,201	86,201
Total	<u>\$14,072,727</u>	<u>\$8,136,562</u>	<u>\$27,670,186</u>	<u>\$21,245,738</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 58 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**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$22,343,311 and expenditures of \$21,279,658. The fund balance of the General Fund, including other financing sources and uses, increased \$1,245,726 from fiscal year 2017. This increase represents 37 percent of the fund balance at the beginning of the year. This change is primarily due to a decrease in expenditures. Regular and special instruction expenditures have decreased and are the direct result of the decline in enrollment. The decrease in overall expenditures is reflective of the School District's desire to maintain an adequate carryover balance into the next fiscal year.

The Bond Retirement Debt Service Fund had total revenues of \$412,380, which were less than expenditures of \$711,242, and including other financing sources, resulted in a decrease in fund balance in the amount of \$205,437 from fiscal year 2017. The revenues and expenditures in this fund are related to amounts in accordance with amortization schedules associated with the School District's outstanding debt. The millage for the debt service property tax revenues was reduced because of an adequate balance held in the fund for near future debt service requirements.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
 Unaudited

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***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 2018, the School District did not amend its General Fund budget and as such original and final amounts had no effect on the budgeted ending fund balance. The actual results of operations were significantly different than final budgeted amounts by \$1,860,609 or approximately 107 percent of the beginning fund balance. Conservative estimates in both revenues and expenditures produced this positive variance. Intergovernmental revenues were \$447,544 higher than final budgeted amounts of \$14,320,091. Cautious spending in all categories of expenditures was less than final budgeted amounts and added to the carryover fund balance into fiscal year 2019.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the School District had \$33,344,720 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2018 balances compared to 2017.

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

	Governmental Activities	
	2018	2017
Land	\$4,870,593	\$5,031,339
Land Improvements	184,967	217,770
Buildings and Improvements	25,977,523	27,138,598
Furniture and Fixtures	222,440	249,784
Machinery and Equipment	1,225,969	1,397,777
Vehicles	863,228	519,047
Totals	\$33,344,720	\$34,554,315

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

***Debt***

At June 30, 2018, the School District had \$161,081 in outstanding capital leases and \$3,829,404 in general obligation bonds outstanding (including premiums and accretion), of which \$79,244 and \$615,628, respectively, are due within one year. See Notes 13 and 14 to the basic financial statements for more information on capital leases and debt.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
Unaudited

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**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. There is a slight projected decrease in State Revenue for the School District in Fiscal Year 2019 based upon the current State Budget and currently known School District specific facts. This minimal decrease is mainly attributable to an anticipated decrease in Preschool Special Education funding from the currently known decrease in the number of students in this program.

The School District's emergency operating levy generates approximately \$1,455,000 each year. A renewal of the existing emergency operating levy was passed on the November, 2016 ballot. With the passage of this renewal, the School District's most recent Board of Education-approved five year financial forecast reflects positive cash balances in the next five forecasted years.

**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 Ed Wright, Treasurer, at Cambridge City School District, 518 South 8<sup>th</sup> Street, Cambridge, Ohio 43725, or E-Mail at [ed.wright@cambridgecityschools.org](mailto:ed.wright@cambridgecityschools.org).

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**Cambridge City School District**

*Statement of Net Position*

*June 30, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,862,152
Cash and Cash Equivalents in Segregated Accounts	1,363
Cash and Cash Equivalents with Fiscal Agents	1,002,910
Investments	43,736
Inventory Held for Resale	70,767
Materials and Supplies Inventory	56,991
Accounts Receivable	232,818
Intergovernmental Receivable	1,221,295
Prepaid Items	220,808
Property Taxes Receivable	7,708,720
Nondepreciable Capital Assets	4,870,593
Depreciable Capital Assets, Net	<u>28,474,127</u>
<i>Total Assets</i>	<u>51,766,280</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	27,644
Pension	7,407,872
OPEB	<u>248,483</u>
<i>Total Deferred Outflows of Resources</i>	<u>7,683,999</u>
<b>Liabilities</b>	
Accounts Payable	186,753
Accrued Wages and Benefits Payable	1,694,557
Intergovernmental Payable	345,061
Accrued Interest Payable	11,024
Unearned Revenue	7,910
Claims Payable	430,814
Long-Term Liabilities:	
Due Within One Year	746,647
Due In More Than One Year:	
Net Pension Liability (See Note 11)	25,511,879
Net OPEB Liability (See Note 12)	5,507,931
Other Amounts Due In More Than One Year	<u>4,401,794</u>
<i>Total Liabilities</i>	<u>38,844,370</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	4,409,009
Pension	1,824,686
OPEB	<u>715,975</u>
<i>Total Deferred Outflows of Resources</i>	<u>6,949,670</u>
<b>Net Position</b>	
Net Investment in Capital Assets	29,456,370
Restricted for:	
Debt Service	1,478,084
Capital Projects	128,005
Food Service	386,654
Classroom Facilities Maintenance	630,174
Athletic and Music	63,482
State Programs	45,316
Federal Programs	563,566
Unclaimed Monies	1,587
Music Supplies:	
Non-Expendable	500
Expendable	2,073
Unrestricted (Deficit)	<u>(19,099,572)</u>
<i>Total Net Position</i>	<u>\$13,656,239</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,674,011	\$943,991	\$337,884	(\$3,392,136)
Special	1,838,255	53,592	2,562,012	777,349
Vocational	89,131	0	76,449	(12,682)
Adult/Continuing	5,363	0	8,334	2,971
Student Intervention Services	29,489	0	0	(29,489)
Support Services:				
Pupils	714,924	0	36,440	(678,484)
Instructional Staff	145,018	0	206,333	61,315
Board of Education	175,938	0	0	(175,938)
Administration	694,855	0	281,733	(413,122)
Fiscal	534,951	0	116,816	(418,135)
Business	65,267	0	0	(65,267)
Operation and Maintenance of Plant	2,076,241	8,150	205,699	(1,862,392)
Pupil Transportation	1,073,509	0	0	(1,073,509)
Central	376,902	0	8,580	(368,322)
Operation of Non-Instructional Services:				
Food Service Operations	926,999	96,961	681,976	(148,062)
Other Non-Instructional Services	128,482	0	98,478	(30,004)
Extracurricular Activities	428,021	210,841	1,896	(215,284)
Interest and Fiscal Charges	95,371	0	0	(95,371)
<i>Totals</i>	<u>\$14,072,727</u>	<u>\$1,313,535</u>	<u>\$4,622,630</u>	<u>(8,136,562)</u>

**General Revenues**

Property Taxes Levied For:	
General Purposes	6,152,999
Debt Service	301,842
Capital Maintenance	86,476
Grants and Entitlements not	
Restricted to Specific Programs	12,984,992
Interest	102,009
Gain on Sale of Capital Assets	112,162
Miscellaneous	281,524
<i>Total General Revenues</i>	<u>20,022,004</u>
<i>Change in Net Position</i>	11,885,442
<i>Net Position Beginning of Year - Restated (See Note 22)</i>	<u>1,770,797</u>
<i>Net Position End of Year</i>	<u><u>\$13,656,239</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2018*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,039,690	\$1,369,001	\$1,738,428	\$7,147,119
Cash and Cash Equivalents in Segregated Accounts	0	0	1,363	1,363
Investments	43,736	0	0	43,736
Receivables:				
Property Taxes	7,250,869	356,657	101,194	7,708,720
Accounts	14,435	0	17,452	31,887
Interfund	191,483	0	0	191,483
Intergovernmental	235,411	0	985,884	1,221,295
Prepaid Items	179,926	0	40,882	220,808
Inventory Held for Resale	0	0	70,767	70,767
Materials and Supplies Inventory	52,405	0	4,586	56,991
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	1,587	0	0	1,587
<i>Total Assets</i>	<u>\$12,009,542</u>	<u>\$1,725,658</u>	<u>\$2,960,556</u>	<u>\$16,695,756</u>
<b>Liabilities</b>				
Accounts Payable	\$120,149	\$0	\$66,604	\$186,753
Accrued Wages and Benefits Payable	1,518,074	0	176,483	1,694,557
Interfund Payable	0	0	191,483	191,483
Intergovernmental Payable	311,556	0	33,505	345,061
Unearned Revenue	0	0	7,910	7,910
<i>Total Liabilities</i>	<u>1,949,779</u>	<u>0</u>	<u>475,985</u>	<u>2,425,764</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	4,147,527	203,537	57,945	4,409,009
Unavailable Revenue	1,254,301	58,481	678,784	1,991,566
<i>Total Deferred Inflows of Resources</i>	<u>5,401,828</u>	<u>262,018</u>	<u>736,729</u>	<u>6,400,575</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	52,405	0	4,586	56,991
Prepaid Items	179,926	0	40,882	220,808
Unclaimed Monies	1,587	0	0	1,587
Music Supplies	0	0	500	500
Restricted for:				
Debt Service	0	1,463,640	0	1,463,640
Capital Projects	0	0	144,875	144,875
Food Service Operations	0	0	408,347	408,347
State Grant Expenditures	0	0	2,830	2,830
Music Supplies	0	0	2,073	2,073
Classroom Facilities Maintenance	0	0	581,015	581,015
Athletic and Music	0	0	63,482	63,482
Committed to:				
Encumbrances	393,718	0	0	393,718
Scholarships	0	0	46,997	46,997
Assigned to:				
Purchases on Order	352,483	0	0	352,483
Capital Projects	0	0	505,990	505,990
Public School Support	47,914	0	0	47,914
Unassigned (Deficit)	3,629,902	0	(53,735)	3,576,167
<i>Total Fund Balances</i>	<u>4,657,935</u>	<u>1,463,640</u>	<u>1,747,842</u>	<u>7,869,417</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$12,009,542</u>	<u>\$1,725,658</u>	<u>\$2,960,556</u>	<u>\$16,695,756</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, 2018*

<b>Total Governmental Fund Balances</b>		\$7,869,417
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,344,720
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	1,228,304	
Grants	728,183	
Customer Sales and Services	16,491	
Tuition and Fees	7,808	
Extracurricular Activities	10,780	
Total	1,991,566	1,991,566
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		(11,024)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Improvement Bonds - Term	(805,000)	
Energy Conservation Improvement Bonds - Capital Appreciation	(41,020)	
Accretion on Energy Conservation Capital Appreciation Bonds	(24,608)	
Energy Conservation Improvement Bonds Premium	(33,013)	
Classroom Facilities Refunding Bonds - Serial	(2,870,000)	
Classroom Facilities Refunding Bonds Premium	(55,763)	
Capital Leases Payable	(161,081)	
Compensated Absences Payable	(1,157,956)	
Total	(5,148,441)	(5,148,441)
The net pension liability/OPEB is not due and payable in the current period and therefore the liability and related deferred inflows/outflows are not reported in governmental funds		
Deferred Outflows - Pension	7,407,872	
Deferred Inflows - Pension	(1,824,686)	
Net Pension Liability	(25,511,879)	
Deferred Outflows - OPEB	248,483	
Deferred Inflows - OPEB	(715,975)	
Net OPEB Liability	(5,507,931)	
Total	(25,904,116)	(25,904,116)
Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds		27,644
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		1,486,473
<i>Net Position of Governmental Activities</i>		<b>\$13,656,239</b>

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, 2018*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$6,272,777	\$307,799	\$88,067	\$6,668,643
Intergovernmental	14,716,971	104,581	2,464,455	17,286,007
Interest	84,054	0	19,106	103,160
Tuition and Fees	1,008,578	0	0	1,008,578
Rent	5,763	0	2,387	8,150
Extracurricular Activities	61,460	0	139,301	200,761
Gifts and Donations	625	0	3,058	3,683
Customer Sales and Services	0	0	88,723	88,723
Miscellaneous	193,083	0	47,960	241,043
<i>Total Revenues</i>	<u>22,343,311</u>	<u>412,380</u>	<u>2,853,057</u>	<u>25,608,748</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,619,305	0	230,944	10,850,249
Special	2,647,150	0	941,262	3,588,412
Vocational	104,925	0	0	104,925
Adult/Continuing	0	0	5,856	5,856
Student Intervention Services	28,487	0	0	28,487
Support Services:				
Pupils	1,278,051	0	30,662	1,308,713
Instructional Staff	76,813	0	165,123	241,936
Board of Education	164,925	0	0	164,925
Administration	1,361,464	0	223,081	1,584,545
Fiscal	539,873	9,217	2,295	551,385
Business	62,860	0	0	62,860
Operation and Maintenance of Plant	2,037,095	0	41,671	2,078,766
Pupil Transportation	1,261,892	0	0	1,261,892
Central	369,541	0	9,000	378,541
Operation of Non-Instructional Services:				
Food Service Operations	0	0	893,785	893,785
Other Non-Instructional Services	997	0	138,021	139,018
Extracurricular Activities	366,265	0	141,456	507,721
Capital Outlay	275,498	0	0	275,498
Debt Service:				
Principal Retirement	84,517	610,000	0	694,517
Interest and Fiscal Charges	0	92,025	0	92,025
<i>Total Expenditures</i>	<u>21,279,658</u>	<u>711,242</u>	<u>2,823,156</u>	<u>24,814,056</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,063,653</u>	<u>(298,862)</u>	<u>29,901</u>	<u>794,692</u>
<b>Other Financing Sources (Use)</b>				
Transfers In	0	93,425	0	93,425
Proceeds from Sale of Capital Assets	29,900	0	386,081	415,981
Inception of Capital Lease	245,598	0	0	245,598
Transfers Out	(93,425)	0	0	(93,425)
<i>Total Other Financing Sources (Use)</i>	<u>182,073</u>	<u>93,425</u>	<u>386,081</u>	<u>661,579</u>
<i>Net Change in Fund Balances</i>	1,245,726	(205,437)	415,982	1,456,271
<i>Fund Balances Beginning of Year</i>	<u>3,412,209</u>	<u>1,669,077</u>	<u>1,331,860</u>	<u>6,413,146</u>
<i>Fund Balances End of Year</i>	<u>\$4,657,935</u>	<u>\$1,463,640</u>	<u>\$1,747,842</u>	<u>\$7,869,417</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, 2018*

**Net Change in Fund Balances - Total Governmental Funds** \$1,456,271

*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	497,886	
Depreciation Expense	<u>(1,403,662)</u>	
Total		(905,776)

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	(415,981)	
Gain on Disposal of Capital Assets	<u>112,162</u>	
Total		(303,819)

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

Property Taxes	(127,326)	
Intergovernmental	255,047	
Tuition and Fees	(10,995)	
Extracurricular Activities	10,080	
Charges for services	<u>8,238</u>	
Total		135,044

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

Energy Conservation Improvement Bonds	70,000	
Classroom Facilities Refunding Bonds	540,000	
Capital Leases	<u>84,517</u>	
Total		694,517

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position. (245,598)

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:

Accrued Interest	(4,004)	
Amortization of Deferred Amount on Refunding	(5,529)	
Accretion of Interest on Energy Conservation Improvement Bonds	(7,965)	
Amortization of Energy Conservation Improvement Bond Premium	3,000	
Amortization of Classroom Facilities Refunding Serial Bond Premium	<u>11,152</u>	
Total		(3,346)

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		8,566
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	1,584,686	
OPEB	<u>50,038</u>	
Total		1,634,724

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	8,578,476	
OPEB	<u>950,802</u>	
Total		9,529,278

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 (114,419)

*Change in Net Position of Governmental Activities* \$11,885,442

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, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$6,145,928	\$6,145,928	\$6,338,006	\$192,078
Intergovernmental	14,320,091	14,320,091	14,767,635	447,544
Interest	76,294	76,294	78,678	2,384
Tuition and Fees	1,020,811	1,020,811	1,052,714	31,903
Rent	5,588	5,588	5,763	175
Extracurricular Activities	59,597	59,597	61,460	1,863
Gifts and Donations	606	606	625	19
Miscellaneous	256,973	256,973	161,879	(95,094)
<i>Total Revenues</i>	<u>21,885,888</u>	<u>21,885,888</u>	<u>22,466,760</u>	<u>580,872</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,811,595	10,811,595	10,574,048	237,547
Special	2,757,197	2,757,197	2,681,874	75,323
Vocational	113,102	113,102	86,673	26,429
Student Intervention Services	57,098	57,098	42,809	14,289
Support Services:				
Pupils	1,312,243	1,312,243	1,272,833	39,410
Instructional Staff	86,220	86,220	80,218	6,002
Board of Education	253,335	253,335	213,641	39,694
Administration	1,413,989	1,413,989	1,350,491	63,498
Fiscal	621,210	621,210	564,675	56,535
Business	89,922	89,922	75,514	14,408
Operation and Maintenance of Plant	2,627,518	2,627,518	2,275,110	352,408
Pupil Transportation	1,870,902	1,870,902	1,559,472	311,430
Central	423,016	423,016	387,379	35,637
Operation of Non-Instructional Services	1,207	1,207	1,187	20
Extracurricular Activities	406,349	406,349	399,242	7,107
Debt Service:				
Principal Retirement	84,517	84,517	84,517	0
<i>Total Expenditures</i>	<u>22,929,420</u>	<u>22,929,420</u>	<u>21,649,683</u>	<u>1,279,737</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,043,532)	(1,043,532)	817,077	1,860,609
<b>Other Financing Use</b>				
Transfers Out	(93,425)	(93,425)	(93,425)	0
<i>Net Change in Fund Balance</i>	(1,136,957)	(1,136,957)	723,652	1,860,609
<i>Fund Balance Beginning of Year</i>	1,742,728	1,742,728	1,742,728	0
Prior Year Encumbrances Appropriated	922,845	922,845	922,845	0
<i>Fund Balance End of Year</i>	<u>\$1,528,616</u>	<u>\$1,528,616</u>	<u>\$3,389,225</u>	<u>\$1,860,609</u>

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2018*

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	<u>Governmental Activity</u>
	<u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$713,446
Cash and Cash Equivalents with Fiscal Agents	1,002,910
Accounts Receivable	<u>200,931</u>
<i>Total Assets</i>	1,917,287
<b>Current Liabilities</b>	
Claims Payable	<u>430,814</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,486,473</u></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, 2018*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,359,170
Other Revenues	40,481
	3,399,651
<b>Operating Expenses</b>	
Purchased Services	704,120
Claims	2,823,849
Other	915
	3,528,884
<i>Total Operating Revenues</i>	<i>3,399,651</i>
<i>Total Operating Expenses</i>	<i>3,528,884</i>
<i>Operating Loss</i>	<i>(129,233)</i>
<b>Non-Operating Revenues</b>	
Interest	14,814
	14,814
<i>Net Change in Net Position</i>	<i>(114,419)</i>
<i>Net Position Beginning of Year</i>	<i>1,600,892</i>
<i>Net Position End of Year</i>	<i>\$1,486,473</i>

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, 2018

	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	\$3,359,170
Cash Received from Other Operating Sources	40,481
Cash Payments for Goods and Services	(704,120)
Cash Payments for Claims	(2,796,168)
Cash Payments for Operating Expenses	(915)
Net Cash Used for Operating Activities	(101,552)
<b>Cash Flows from Investing Activities</b>	
Interest	14,814
<i>Net Decrease in Cash and Cash Equivalents</i>	(86,738)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,803,094
<i>Cash and Cash Equivalents End of Year</i>	\$1,716,356
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$129,233)
Changes in Liabilities:	
Increase in Accounts Receivable	(10,773)
Increase in Claims Payable	38,454
Net Cash Used for Operating Activities	(\$101,552)

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$466,786	\$37,565
Cash and Cash Equivalents in Segregated Accounts	37,435	0
<i>Total Assets</i>	504,221	\$37,565
<b>Liabilities</b>		
Due to Students	0	\$37,565
<b>Net Position</b>		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	170,506	
Total Net Position	\$504,221	

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*June 30, 2018*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$20,435
Interest	7,955
<i>Total Additions</i>	28,390
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	19,895
<i>Change in Net Position</i>	8,495
<i>Net Position Beginning of Year</i>	495,726
<i>Net Position End of Year</i>	\$504,221

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, 2018*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and three support facilities staffed by 105 classified employees and 163 certified personnel, who provide services to 2,177 students and other community members.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, 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) and the Mid-East Career and Technology Centers which are jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, the Ohio School Plan (OSP), 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, 2018*

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

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

***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, 2018*

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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 restricted 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.

**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*  
*For the Fiscal Year Ended June 30, 2018*

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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.

***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. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

***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. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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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, unavailable revenue, and pension and OPEB plans. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 20. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 11 and 12)

***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.

***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 2018, investments were limited to common stock and STAR Ohio.

Investments in common stock are measured at fair value which is the price the stock could be sold for on the measurement date.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$84,054, which includes \$63,576 assigned from other School District funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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.

***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.

***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 acquisition 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:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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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

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated on of the Statement of Net Position.

***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.

***Compensated Absences***

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

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***Pensions/Other Employment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

***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.

***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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**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 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.

***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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

***Capital Contributions***

Contributions of capital arise from contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

***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.

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

***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.

***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.

***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.

***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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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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, 2018:

	<u>Amount</u>
Auxiliary Service	\$7,807
Title I	32,286
IDEA Part B Grant	6,016
Miscellaneous Federal Grants	2,078

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.

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).

**Cambridge City School District**  
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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.
6. Advances in and advances out are operating transactions (budget) as opposed to Balance Sheet transactions (GAAP).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,245,726
Revenue Accruals	(116,773)
Fiscal Year 2017 Market Value Adjustment	36,622
Fiscal Year 2018 Market Value Adjustment	(41,998)
Fiscal Year 2017 Prepaid Items	194,214
Fiscal Year 2018 Prepaid Items	(179,926)
Expenditure Accruals	652,443
Advances Out	(191,483)
Proceeds from Sale of Capital Assets	(29,900)
Encumbrances	(845,273)
Budget Basis	\$723,652

**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 be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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.

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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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury notes, bills, bonds, 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 obligations or securities 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2018, the School District's Internal Service Fund had a balance of \$1,002,910 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.

***Investments***

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments, which are part of the internal investment pool:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>S&amp;P Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level 1 Inputs				
JP Morgan Chase & Co. Common Stock	\$43,736	N/A	Not Rated	100.00%
Net Value Per Share				
STAR Ohio	\$8,325,196	48.9 days	AAAm	N/A

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investment in common stock is valued at quoted market prices (Level 1 inputs).

***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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

***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.

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*Notes to the Basic Financial Statements*  
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**Note 6 - Property Taxes and Abatements**

***Property Taxes***

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 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, 2018 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, 2018, was \$1,949,380 in the General Fund, \$27,388 in the Classroom Facilities Maintenance Special Revenue Fund, and \$94,639 in the Bond Retirement Debt Service Fund. At June 30, 2017, \$2,014,609 was available as an advance in the General Fund, \$28,272 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$98,728 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 2018 taxes were collected are:

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	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$226,704,590	88.14%	\$226,621,110	87.79%
Public Utility Personal	30,500,500	11.86%	31,505,680	12.21%
Total	\$257,205,090	100.00%	\$258,126,790	100.00%
Tax Rate per \$1,000 of assessed valuation	\$35.85		\$35.75	

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.

***Abatements***

School District property taxes were reduced as follows under county and city agreements entered into by overlapping governments:

Overlapping Governments	Amount of Fiscal Year 2018 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Guernsey County	\$30,138
City of Cambridge	17,381

Pursuant to Section 5709.82 of the Ohio Revised Code, Guernsey County, the City of Cambridge, and the School District, created various Community Reinvestment Area Compensation Agreements. These agreements include 100 percent tax abatement on the various projects.

**Note 7 - Receivables**

Receivables at June 30, 2018 consisted of property taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,228,304 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

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Early Childhood Grant	\$78,257
IDEA Part B Grant	274,886
Title I Grants	410,267
Title VI-B Rural Grant	40,359
Title II-A Grant	95,407
Title IV-A Grant	14,816
21st Century Grant	61,375
Food Service Breakfast and Lunch Reimbursements	5,204
E-Rate Reimbursements	81,751
Retirement Overpayments	28,668
Foundation Funding Adjustments	56,027
Medicaid Reimbursements	9,798
Bureau of Workers' Compensation Rebate	47,832
Educational Service Center Overpayments	13,874
Miscellaneous Receivables	2,774
Total Intergovernmental Receivables	<u><u>\$1,221,295</u></u>

**Note 8 - Risk Management**

***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 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 16) The types and amounts of coverage are as follows:

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General Liability - no deductible	
Bodily Injury, Property Damage, and Wrongful Act - each occurrence	\$5,000,000
Personal and Advertising Injury - each occurrence	\$5,000,000
General Aggregate Limit	\$7,000,000
Products - Completed Operations	\$5,000,000
Fire Damage	\$10,000
Medical Expense	\$10,000
Employers' Liability - no deductible	
Bodily Injury by Accident	\$5,000,000
Bodily Injury by Disease	\$5,000,000
Fiduciary Liability - \$2,500 deductible	
Each Fiduciary Limit	\$5,000,000
Aggregate Limit	\$7,000,000
Legal Liability - \$2,500 deductible	
Errors and Omissions	\$5,000,000
Aggregate Limit	\$7,000,000
Employment Practices	\$5,000,000
Aggregate Limit	\$7,000,000
Declaratory, Equitable and Injunctive Relief Defense Aggregate	\$100,000
Back Wages each act limit	\$25,000
Back Wages Aggregate Limit	\$50,000
Violence Coverage	
Plan Limit	\$1,000,000
Aggregate Limit	\$1,000,000
Automobile Coverage	
Liability	\$5,000,000
Uninsured/Underinsured Motorists	\$1,000,000
Medical Payments	\$5,000
Comprehensive - \$1,000 deductible	Actual Cash Value
Collision - \$1,000 deductible	Actual Cash Value
Property Damage - \$1,000 deductible	
Property Coverage	\$108,103,723
Flood, Earthquake, and Extra Expense Coverage - each	\$1,000,000
Accounts Receivable	\$100,000
Business Interruption and Rental Income/Tuition Income	\$250,000
Boiler and Machinery Breakdown	\$100,000,000
Crime Coverage - \$1,000 deductible	
Employee Theft, Forgery, Computer Fraud, Funds Transfer Fraud - each	\$100,000
Theft of Money and Securities and Social Engineering Fraud - each	\$25,000

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.

***Workers' Compensation***

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 16). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a group.

**Cambridge City School District**  
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The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program’s executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant. Participation in the Program is limited to school districts that can meet the Program’s selection criteria. The firm of Comp Management, Inc. serves as the third party administrator of the Program and provides administrative, cost control, and actuarial services. Each year, the School District pays an enrollment fee to the Program to cover the cost of administering the Program. The School District may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers’ Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Program prior to withdrawal.

***Employee Insurance 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 offered coverage for medical/surgical, vision, prescription drug, and dental coverage through the Jefferson Health Plan self-insured plan. The Board of Education pays 86.5 percent (for certified) and 87 percent (for classified and administration) of premiums for all medical/surgical, vision, and prescription drug coverage and 100 percent of the premium for dental coverage. The monthly cost of premiums is \$710.21 for single coverage and \$1,629.96 for family coverage on medical/surgical, vision, and prescription drug coverage. The total monthly cost of the premiums for dental coverage is \$37.45 for single and \$86.06 for family coverage.

The claims liability of \$430,814 reported in the internal service fund at June 30, 2018, 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
2017	\$472,576	\$2,477,599	\$2,557,815	\$392,360
2018	392,360	2,834,622	(1) 2,796,168	430,814
(1) Claims Expense		\$2,823,849		
Net Increase in Stop Loss Receivable		10,773		
Current Year Claims		\$2,834,622		

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**Note 9 - Employee Benefits**

***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.

***Health Insurance***

Effective January 1, 2016, the School District offered to employees a high deductible medical and prescription plan in conjunction with a Health Savings Account. The high deductible plan sets amounts at \$2,700 for single and \$5,400 for family coverage for both classified and certified employees. The creation of the Health Savings Account states that the School District will contribute to each account a total of \$2,036 for single and \$3,979 for family plans for classified employees and \$1,000 for single and \$2,000 for family plans for certified employees. Payments to each eligible classified employee health savings account will occur on January 1 and July 1 of each year. Payments to each eligible certified employee health savings account will occur on January 1 of each year and then monthly from July to December each year.

***Life Insurance***

The School District provides life insurance to contracted employees through American United Life Insurance Company in the amount of \$30,000 for classified employees, \$25,000 for certified employees, and \$100,000 for administrators with the exception of the superintendent who has \$500,000.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

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	Balance 06/30/2017	Additions	Reductions	Balance 06/30/2018
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	(\$160,746)	\$4,870,593
Total capital assets not being depreciated	<u>5,031,339</u>	<u>0</u>	<u>(160,746)</u>	<u>4,870,593</u>
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,261,840	0	(1,376,878)	40,884,962
Furniture and Fixtures	571,101	0	0	571,101
Machinery and Equipment	2,926,284	38,845	(59,042)	2,906,087
Vehicles	1,603,801	459,041	(256,166)	1,806,676
Total capital assets being depreciated	<u>48,019,082</u>	<u>497,886</u>	<u>(1,692,086)</u>	<u>46,824,882</u>
Accumulated depreciation				
Land Improvements	(438,286)	(32,803)	0	(471,089)
Buildings and Improvements	(15,123,242)	(1,040,669)	1,256,472	(14,907,439)
Furniture and Fixtures	(321,317)	(27,344)	0	(348,661)
Machinery and Equipment	(1,528,507)	(209,198)	57,587	(1,680,118)
Vehicles	(1,084,754)	(93,648)	234,954	(943,448)
Total accumulated depreciation	<u>(18,496,106)</u>	<u>(1,403,662) *</u>	<u>1,549,013</u>	<u>(18,350,755)</u>
Capital assets being depreciated, net	<u>29,522,976</u>	<u>(905,776)</u>	<u>(143,073)</u>	<u>28,474,127</u>
Governmental Activities capital assets, net	<u>\$34,554,315</u>	<u>(\$905,776)</u>	<u>(\$303,819)</u>	<u>\$33,344,720</u>

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

Instruction:	
Regular	\$571,896
Special	201,052
Vocational	4,734
Intervention	2,601
Support Services:	
Pupils	69,681
Instructional Staff	13,656
Board of Education	13,086
Administration	86,603
Fiscal	29,448
Business	2,407
Operation and Maintenance of Plant	112,976
Pupil Transportation	93,806
Central	31,908
Extracurricular Activities	65,544
Operation of Non-Instructional Services	4,630
Food Service Operations	99,634
Total Depreciation Expense	<u>\$1,403,662</u>

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**Note 11 - Defined Benefit Pension Plans**

***Net Pension Liability***

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability reported on the Statement of Net Position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

***School Employees Retirement System (SERS)***

Plan Description - School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary. One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$313,939 for fiscal year 2018. Of this amount \$23,144 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

Plan Description - School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's Defined Contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,270,747 for fiscal year 2018. Of this amount \$99,664 is reported as an intergovernmental payable.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07846910%	0.08892893%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07635500%</u>	<u>0.08819048%</u>	
Change in Proportionate Share	<u>-0.00211410%</u>	<u>-0.00073845%</u>	
Proportionate Share of the Net Pension Liability	\$4,562,042	\$20,949,837	\$25,511,879
Pension Expense	(\$275,522)	(\$8,302,954)	(\$8,578,476)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$196,335	\$808,984	\$1,005,319
Changes of assumptions	235,907	4,581,960	4,817,867
School District contributions subsequent to the measurement date	<u>313,939</u>	<u>1,270,747</u>	<u>1,584,686</u>
Total Deferred Outflows of Resources	<u>\$746,181</u>	<u>\$6,661,691</u>	<u>\$7,407,872</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$168,848	\$168,848
Net difference between projected and actual earnings on pension plan investments	21,655	691,369	713,024
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>216,247</u>	<u>726,567</u>	<u>942,814</u>
Total Deferred Inflows of Resources	<u>\$237,902</u>	<u>\$1,586,784</u>	<u>\$1,824,686</u>

\$1,584,686 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$71,645	\$716,030	\$787,675
2020	189,538	1,656,531	1,846,069
2021	39,506	1,121,661	1,161,167
2022	(106,349)	309,938	203,589
Totals	<u>\$194,340</u>	<u>\$3,804,160</u>	<u>\$3,998,500</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

**Cambridge City School District**  
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The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$6,330,930	\$4,562,042	\$3,080,239

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 100.00 %	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$30,030,879	\$20,949,837	\$13,300,421

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, there are no employees who have elected Social Security. The Board of Education's liability is 6.2 percent of wages paid.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**Note 12 - Defined Benefit OPEB Plans**

See Note 11 for a description of the net OPEB liability.

***School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage Plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$38,411.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$50,038 for fiscal year 2018. Of this amount \$39,268 is reported as an intergovernmental payable.

**Cambridge City School District**  
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***State Teachers Retirement System***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan.

Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS 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 to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.07931520%	0.08892893%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.07713960%</u>	<u>0.08810948%</u>	
Change in Proportionate Share	<u>-0.00217560%</u>	<u>-0.00081945%</u>	
Proportionate Share of the Net OPEB Liability	\$2,070,224	\$3,437,707	\$5,507,931
OPEB Expense	\$104,461	(\$1,055,263)	(\$950,802)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$198,445	\$198,445
School District contributions subsequent to the measurement date	50,038	0	50,038
Total Deferred Outflows of Resources	\$50,038	\$198,445	\$248,483
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$196,454	\$276,918	\$473,372
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	52,637	37,563	90,200
Net difference between projected and actual earnings on OPEB plan investments	5,467	146,936	152,403
Total Deferred Inflows of Resources	\$254,558	\$461,417	\$715,975

\$50,038 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$91,617)	(\$56,073)	(\$147,690)
2020	(91,617)	(56,073)	(147,690)
2021	(69,958)	(56,073)	(126,031)
2022	(1,366)	(56,074)	(57,440)
2023	0	(19,340)	(19,340)
Thereafter	0	(19,339)	(19,339)
Totals	(\$254,558)	(\$262,972)	(\$517,530)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent.

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The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 2.5 percentage points lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$2,500,059	\$2,070,224	\$1,729,685
	1% Decrease (6.5 % decreasing to 4.0 %)	Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District proportionate share of the net OPEB liability	\$1,679,832	\$2,070,224	\$2,586,915

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$4,615,066	\$3,437,707	\$2,507,208

  

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$2,388,371	\$3,437,707	\$4,818,755

**Note 13 - Capitalized Leases**

During fiscal year 2018, the School District entered into an interest-free lease for the purchase of three buses. The lease meets 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 and principal payments for fiscal year 2018 totaled \$84,517 in the General Fund.

Equipment acquired by lease has been capitalized in the government-wide statements in the amount of \$252,798, which is equal to the present value of the minimum lease payments. A corresponding liability, less a trade-in value of \$7,200 was recorded in the government-wide. Assets acquired by governmental activities capitalized leases are reported, net of accumulated depreciation, in the amount of \$240,159.

Future minimum lease payments through fiscal year 2020 are as follows:

Fiscal Year	Principal
2019	\$79,244
2020	81,837
Total	\$161,081

**Note 14 - Long-Term Obligations**

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

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	Principal			Principal	Amounts
	Outstanding	Additions	Reductions	Outstanding	Due Within
	06/30/17			6/30/18	One Year
2014 Energy Conservation Improvement Bonds:					
Serial Bonds - \$300,000 - 1.00%-1.50%	\$70,000	\$0	\$70,000	\$0	\$0
Term Bonds - \$805,000 - 1.75%-2.90%	805,000	0	0	805,000	0
Original Issue of Capital Appreciation					
Bonds - \$41,020 - 13.385%	41,020	0	0	41,020	41,020
Accretion on Capital Appreciation Bonds	16,643	7,965	0	24,608	24,608
Bond Premium	36,013	0	3,000	33,013	0
<b>Total 2014 Energy Conservation Improvement Bonds</b>	<b>968,676</b>	<b>7,965</b>	<b>73,000</b>	<b>903,641</b>	<b>65,628</b>
2015 Classroom Facilities Refunding Bonds:					
Serial Bonds - \$3,410,000 - 2.00%-3.00%	3,410,000	0	540,000	2,870,000	550,000
Premium on Serial Bonds	66,915	0	11,152	55,763	0
<b>Total 2015 Classroom Facilities Refunding Bonds</b>	<b>3,476,915</b>	<b>0</b>	<b>551,152</b>	<b>2,925,763</b>	<b>550,000</b>
Capital Lease	0	245,598	84,517	161,081	79,244
Net Pension Liability:					
STRS	29,767,192	0	8,817,355	20,949,837	0
SERS	5,743,215	0	1,181,173	4,562,042	0
<b>Total Net Pension Liability</b>	<b>35,510,407</b>	<b>0</b>	<b>9,998,528</b>	<b>25,511,879</b>	<b>0</b>
Net OPEB Liability:					
STRS	4,755,942	0	1,318,235	3,437,707	0
SERS	2,260,777	0	190,553	2,070,224	0
<b>Total Net OPEB Liability</b>	<b>7,016,719</b>	<b>0</b>	<b>1,508,788</b>	<b>5,507,931</b>	<b>0</b>
Compensated Absences	1,166,522	124,869	133,435	1,157,956	51,775
<b>Total Long-Term Liabilities</b>	<b>\$48,139,239</b>	<b>\$378,432</b>	<b>\$12,349,420</b>	<b>\$36,168,251</b>	<b>\$746,647</b>

On October 16, 2014, the School District issued \$1,146,020 of general obligation school improvement bonds in accordance with House Bill 264. The bonds were issued to finance energy conservation projects and consisted of \$300,000 in serial bonds, \$805,000 in term bonds, and \$41,020 in capital appreciation bonds. The bonds were issued for a period of fifteen years with final maturity at December 1, 2028. The bonds were issued with a premium of \$45,013 which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2018 was \$3,000 leaving an unamortized balance of \$33,013. These bonds are being retired from the Bond Retirement Debt Service Fund with General Fund savings from the energy conservation measures.

The term bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption at the redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the year and in the respective principal amount as follows:

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<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2019	<u>\$70,000</u>

Unless otherwise called for redemption, the remaining \$75,000 principal amount of the term bonds due December 1, 2020, is to be paid at stated maturity.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the year and in the respective principal amount as follows:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2021	<u>\$75,000</u>

Unless otherwise called for redemption, the remaining \$75,000 principal amount of the term bonds due December 1, 2022, is to be paid at stated maturity.

The term bonds maturing on December 1, 2025 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2023	<u>\$80,000</u>
2024	<u>80,000</u>
Total	<u>\$160,000</u>

Unless otherwise called for redemption, the remaining \$85,000 principal amount of the term bonds due December 1, 2025, is to be paid at stated maturity.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2026	<u>\$85,000</u>
2027	<u>90,000</u>
Total	<u>\$175,000</u>

Unless otherwise called for redemption, the remaining \$90,000 principal amount of the term bonds due December 1, 2028, is to be paid at stated maturity.

The capital appreciation bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the outstanding capital appreciation bonds is \$70,000. The 2018 accretion was \$7,965 leaving a total capital appreciation bond liability of \$65,628.

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Principal and interest requirements to retire the remaining outstanding 2014 Energy Conservation School Improvement Bonds at June 30, 2018, are as follows:

Fiscal Year	<u>Capital Appreciation</u>	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$41,020	\$28,980

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.

On September 10, 2015, the School District issued \$3,865,000 of Classroom Facilities Refunding Bonds that consisted of \$3,410,000 in serial bonds and \$455,000 in capital appreciation bonds that were used to current refund the 2005 Classroom Facilities Refunding Bonds. The capital appreciation bonds, along with the accumulated accretion, were retired during fiscal year 2017. These refunding bonds were sold at a premium of \$168,959 that will be amortized over the term of the bonds. The amount amortized in fiscal year 2018 is \$11,152 leaving an unamortized balance of \$55,763. As of result of the refunding, \$3,865,000 of the refunded bonds is considered defeased and the liability is removed from the statement of net position. \$3,944,863 (after premium, underwriting fees, and other issuance costs) was deposited into an irrevocable trust until the refunded bonds were called on December 1, 2015 and the escrow account was closed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price in the amount of \$44,231. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is amortized to interest expense through fiscal year 2023. The amount amortized for fiscal year 2018 is \$5,529 leaving an unamortized balance of \$27,644. The bonds are backed by the full faith and credit of the School District and are being retired from the Bond Retirement Debt Service Fund using proceeds from a tax levy. The bonds were issued for an eight year period with final maturity in 2023.

Principal and interest requirements to retire the 2015 refunding serial bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	<u>Serial</u>	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$550,000	\$57,700
2020	565,000	46,550
2021	575,000	35,150
2022	580,000	20,700
2023	600,000	6,000
	<u>\$2,870,000</u>	<u>\$166,100</u>

The capital lease will be repaid from the General Fund.

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: the General Fund and the Food Service, Auxiliary, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds. For more information on the net pension/OPEB liability, see Notes 11 and 12.

Compensation absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service and Auxiliary Services Special Revenue Funds.

The overall debt margin of the School District as of June 30, 2018, was \$20,799,020, with an unvoted debt margin of \$257,916.

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**Note 15 - Jointly Governed Organizations**

***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.

During fiscal year 2018, the amount paid to OME-RESA from the School District was \$46,435 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.

***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 2018, 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.

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

***Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program***

The Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (Program) is a shared risk pool among school districts in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The Program is governed by the Ohio School Board Association (OSBA) Executive Committee that consists of seven members as follows: the president of OSBA, Immediate Past President of OSBA, and five representatives elected from the participating school districts.

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually.

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The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or premium assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. The School District paid \$1,820 in enrollment fees to the Program for fiscal year 2018.

***Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to, and as authorized by, Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

***The Jefferson Health Plan Self-Insurance Plan***

The School District participates in the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over three hundred participants, including six pool organizations within the consortium. 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, prescription drug, and vision 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 \$200,000 under which the individual member is responsible for all claims below the selected deductible. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,500,000, and all claims between the deductible and the \$1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a funding accrual that is actuarially calculated based on the participants' actual claims experience which is utilized for the payment of claims and plan expenses within the participant's reserve account 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 the selected deductible that is included in the funding accrual that is based on the claims of the selected internal pool deductible in aggregate and is not based on individual participant claims experience. In the event of a deficit in a participant's reserve account, the participant would be charged an additional funding accrual, and in the event of a surplus, the participant can apply for a funding accrual moratoria. For all individual claims exceeding \$1,500,000, umbrella 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, among other fixed costs that are included in the monthly funding accrual.

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**Note 17 - Contingencies**

***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, 2018, if applicable, cannot be determined at this time.

***Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

***Litigation***

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

**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.

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	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	363,177
Current Year Offsets	(760,507)
Current Year Qualifying Disbursements	(512,443)
Total	(\$909,773)
Set-aside Reserve Balance as of June 30, 2018	\$0

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 Activity**

During fiscal year 2018, the General Fund provided cash flow resources to various funds in the total amount of \$191,483 which is reflected as an interfund receivable. The funds that received these cash flow resources, which are reflected as interfund payables, were the Title 1, IDEA Part B, Miscellaneous State Grants, and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$98,371, \$38,495, \$21,953 and \$32,664, respectively. These interfund loans were used to provide cash flow resources until the receipt of grant monies.

Interfund transfers for the year ended June 30, 2018, from the General Fund in the amount of \$93,425, were used to provide revenue to the Bond Retirement Debt Service Fund for debt service payments on the House Bill 264 Energy Conservation Bonds.

**Note 20 - Donor Restricted Endowments**

The School District's permanent fund includes a donor restricted endowment that indicates that interest should be used on music supplies each year. The Net Position - Non-Expendable amount of \$500 represents the principal portion of the endowments. The Net Position - Expendable amount of \$2,073 represents the interest earnings on donor-restricted investments and is available for expenditure by the Board of Education to appropriate, for purposes consistent with the endowment's intent.

The School District's private purpose trust fund includes donor restricted endowments that indicate that interest should be used to provide scholarships each year. The Statement of Fiduciary Net Position non-expendable amount of \$333,715 is presented as Restricted for Endowments and represents the principal portion of the endowments. The Statement of Fiduciary Net Position expendable amount of \$170,506 is presented as Held in Trust for Scholarships and represents the interest earnings on donor-restricted investments and is available for expenditure by the board of education to appropriate, for purposes consistent with the endowment's intent.

State law permits the board of education to appropriate, for purposes consistent with the endowments' intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**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:

Governmental Funds	Encumbrances
General Fund	\$845,276
Nonmajor Governmental Funds	374,588
Total Governmental Funds	\$1,219,864

**Note 22 - Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$8,747,060
Adjustments:	
Net OPEB Liability	(7,016,719)
Deferred Outflow - Payments Subsequent to Measurement Date	40,456
Restated Net Position June 30, 2017	\$1,770,797

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1) \**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07635500%	0.07846910%	0.08225390%	0.08284000%	0.08284000%
School District's Proportionate Share of the Net Pension Liability	\$4,562,042	\$5,743,215	\$4,693,487	\$4,192,485	\$4,926,229
School District's Covered Payroll	\$2,448,371	\$2,503,243	\$2,511,721	\$2,533,931	\$2,595,351
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.33%	229.43%	186.86%	165.45%	189.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1) \**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08819048%	0.08892893%	0.09169054%	0.09176812%	0.09176812%
School District's Proportionate Share of the Net Pension Liability	\$20,949,837	\$29,767,192	\$25,340,584	\$22,321,183	\$26,588,847
School District's Covered Payroll	\$9,411,164	\$9,486,807	\$9,609,600	\$9,327,879	\$9,809,323
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	222.61%	313.77%	263.70%	239.30%	271.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	2018	2017
School District's Proportion of the Net OPEB Liability	0.07713960%	0.07931520%
School District's Proportionate Share of the Net OPEB Liability	\$2,070,224	\$2,260,777
School District's Covered Payroll	\$2,448,371	\$2,503,243
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.56%	90.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08810948%	0.08892893%
School District's Proportionate Share of the Net OPEB Liability	\$3,437,707	\$4,755,942
School District's Covered Payroll	\$9,411,164	\$9,486,807
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.53%	50.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2018	2017	2016	2015
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$313,939	\$342,772	\$350,454	\$331,045
Contributions in Relation to the Contractually Required Contribution	<u>(313,939)</u>	<u>(342,772)</u>	<u>(350,454)</u>	<u>(331,045)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,325,474	\$2,448,371	\$2,503,243	\$2,511,721
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$50,038	\$40,456	\$39,256	\$62,989
Contributions in Relation to the Contractually Required Contribution	<u>(50,038)</u>	<u>(40,456)</u>	<u>(39,256)</u>	<u>(62,989)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.15%</u>	<u>1.65%</u>	<u>1.57%</u>	<u>2.51%</u>

2014	2013	2012	2011	2010	2009
\$351,203	\$359,197	\$344,059	\$347,166	\$360,875	\$270,668
(351,203)	(359,197)	(344,059)	(347,166)	(360,875)	(270,668)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,533,931	\$2,595,351	\$2,558,063	\$2,761,863	\$2,665,250	\$2,750,693
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$44,291	\$44,903	\$49,404	\$77,584	\$51,643	\$154,015
(44,291)	(44,903)	(49,404)	(77,584)	(51,643)	(154,015)
\$0	\$0	\$0	\$0	\$0	\$0
1.75%	1.73%	1.93%	2.81%	1.94%	5.60%

**Cambridge City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2018	2017	2016	2015
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,270,747	\$1,317,563	\$1,328,153	\$1,345,344
Contributions in Relation to the Contractually Required Contribution	<u>(1,270,747)</u>	<u>(1,317,563)</u>	<u>(1,328,153)</u>	<u>(1,345,344)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$9,076,764	\$9,411,164	\$9,486,807	\$9,609,600
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$1,217,624	\$1,275,212	\$1,278,167	\$1,325,067	\$1,415,009	\$1,352,246
<u>(1,217,624)</u>	<u>(1,275,212)</u>	<u>(1,278,167)</u>	<u>(1,325,067)</u>	<u>(1,415,009)</u>	<u>(1,352,246)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,366,477	\$9,809,323	\$9,832,054	\$10,192,823	\$10,884,685	\$10,401,892
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$93,665	\$98,093	\$98,321	\$101,928	\$108,847	\$104,019
<u>(93,665)</u>	<u>(98,093)</u>	<u>(98,321)</u>	<u>(101,928)</u>	<u>(108,847)</u>	<u>(104,019)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Cambridge City School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

**Net Pension Liability**

**Changes in Assumptions - SERS**

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

**Cambridge City School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

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For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Net OPEB Liability**

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions - STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal 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)	10.555	2018	\$51,263
Cash Assistance:			
School Breakfast Program	10.553	2018	173,211
National School Lunch Program	10.555	2018	425,812
Cash Assistance Subtotal			<u>599,023</u>
Total Child Nutrition Cluster			<u>650,286</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	2018	5,498
Total U.S. Department of Agriculture			<u><b>655,784</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2017	123,349
		2018	<u>732,204</u>
Total Title I Grants to Local Educational Agencies			855,553
Special Education Cluster:			
Special Education_Grants to States	84.027	2017	55,131
		2018	<u>340,001</u>
Total Special Education_Grants to States			395,132
Special Education_Preschool Grants	84.173	2018	<u>16,841</u>
Total Special Education Cluster			411,973
Twenty-First Century Community Learning Centers	84.287	2018	151,589
Rural Education	84.358	2017	4,335
		2018	<u>21,099</u>
Total Rural Education			25,434
Improving Teacher Quality State Grants	84.367	2017	3,714
		2018	<u>77,116</u>
Total Improving Teacher Quality State Grants			80,830
Student Support and Academic Enrichment Program	84.424	2018	3,574
Total U.S. Department of Education			<u><b>1,528,953</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$2,184,737</b></u>

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

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Cambridge City School District (the School District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – 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 E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2018 to 2019 programs:

<b><u>Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Amt. Transferred</u></b>
Title I Grants to Local Educational Agencies	84.010	\$ 191,344
Improving Teacher Quality State Grants	84.367	\$ 75,843
Student Support and Academic Enrichment Program	84.424	\$ 14,307
Rural Education	84.358	\$ 27,486
Special Education Cluster	84.027	\$ 189,462

# OHIO AUDITOR OF STATE KEITH FABER



## 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  
518 South 8<sup>th</sup> Street  
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, 2018, 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 18, 2019. We also noted the School District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### ***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.

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***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2019

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Cambridge City School District  
Guernsey County  
518 South 8<sup>th</sup> Street  
Cambridge, Ohio 43725

To the Board of Education:

### ***Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

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

The School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Cambridge City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

***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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2019

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program:</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

**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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# OHIO AUDITOR OF STATE KEITH FABER



**CAMBRIDGE CITY SCHOOL DISTRICT**

**GUERNSEY COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 28, 2019**