



Dave Yost • Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 21, 2012

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Cambridge City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- Net assets of governmental activities increased \$1,247,511.
- General revenues accounted for \$22,130,582 in revenue or 79 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,737,599 or 21 percent of total revenues of \$27,868,181.
- Total assets increased \$1,009,582. Property taxes and intergovernmental receivables are the components comprising the majority of this increase.
- The School District had \$26,620,670 in expenses related to governmental activities; only \$5,737,599 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$22,130,582 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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-

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sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

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

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

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Cambridge City School District
Management's Discussion and Analysis
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The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

(Table 1)
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$15,967,482	\$13,784,604	\$2,182,878
Capital Assets, Net	39,771,292	40,944,588	(1,173,296)
<i>Total Assets</i>	<u>55,738,774</u>	<u>54,729,192</u>	<u>1,009,582</u>
Liabilities			
Current and Other Liabilities	7,365,621	7,589,637	(224,016)
Long-Term Liabilities			
Due Within One Year	567,314	527,283	40,031
Due in More Than One Year	6,746,317	6,800,261	(53,944)
<i>Total Liabilities</i>	<u>14,679,252</u>	<u>14,917,181</u>	<u>(237,929)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	34,201,140	35,295,196	(1,094,056)
Restricted	5,200,093	4,092,711	1,107,382
Unrestricted	1,658,289	424,104	1,234,185
<i>Total Net Assets</i>	<u>\$41,059,522</u>	<u>\$39,812,011</u>	<u>\$1,247,511</u>

Total assets increased \$1,009,582. Current assets increased by \$2,182,878 primarily due to increases in property taxes and intergovernmental receivables. Property taxes receivable increased in the amount of \$748,874. Delinquencies from the prior year increased in the amount of \$498,267 which management believes is a direct result of the general economy. Intergovernmental receivables increased in the amount of \$866,485, due to the timing of receipts of state and federal grants that were awarded to the School District. A listing of the grants receivable can be found in Note 8 to the basic financial statements. Capital assets decreased in the amount of \$1,173,296. This is the result of depreciation exceeding capitalizations in the current period.

Total liabilities decreased by \$237,929. Deferred revenue decreased in the amount of \$395,835. Even though property taxes receivable increased more than this amount, the amount of these property taxes that were available as an advance at the end of the fiscal year increased which reduced the amount deferred.

Total net assets of the School District's governmental activities increased \$1,247,511. Invested in capital assets net of related debt decreased \$1,094,056, due to the decrease in capital assets, depreciation expense, and due to the changes in long-term liabilities related to capital assets. Changes in restricted and unrestricted net assets are the result of the overall changes in assets and liabilities as indicated previously.

Cambridge City School District
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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, compared to June 30, 2010.

(Table 2)
 Changes in Net Assets

	Governmental Activities		Change
	2011	2010	
Revenues			
Program Revenues			
Charges for Services	\$1,167,824	\$1,184,253	(\$16,429)
Operating Grants, Contributions, and Interest	4,513,172	3,720,320	792,852
Capital Grants, Contributions, and Interest	56,603	0	56,603
Total Program Revenues	<u>5,737,599</u>	<u>4,904,573</u>	<u>833,026</u>
General Revenues			
Property Taxes	7,002,452	5,793,740	1,208,712
Grants and Entitlements	14,892,487	13,810,264	1,082,223
Gifts and Donations	0	24,529	(24,529)
Interest	31,146	42,359	(11,213)
Miscellaneous	204,497	49,508	154,989
Total General Revenues	<u>22,130,582</u>	<u>19,720,400</u>	<u>2,410,182</u>
Total Revenues	<u>27,868,181</u>	<u>24,624,973</u>	<u>3,243,208</u>
Program Expenses			
Instruction:			
Regular	11,674,161	11,215,867	458,294
Special	3,366,575	3,439,405	(72,830)
Vocational	290,628	139,179	151,449
Adult/Continuing	14,240	13,493	747
Student Intervention Services	25,972	305,736	(279,764)
Support Services:			
Pupils	1,236,437	1,110,465	125,972
Instructional Staff	1,514,014	1,397,219	116,795
Board of Education	73,694	71,420	2,274
Administration	1,535,364	1,668,784	(133,420)
Fiscal	519,089	536,186	(17,097)
Business	87,633	92,440	(4,807)
Operation and Maintenance of Plant	2,412,363	2,420,521	(8,158)
Pupil Transportation	1,202,721	1,215,294	(12,573)
Central	247,946	279,127	(31,181)
Food Service Operations	1,049,166	1,187,596	(138,430)
Other Non-Instructional Services	112,865	71,218	41,647
Extracurricular Activities	602,435	563,839	38,596
Interest and Fiscal Charges	655,367	298,187	357,180
Total Expenses	<u>26,620,670</u>	<u>26,025,976</u>	<u>594,694</u>
Change in Net Assets	1,247,511	(1,401,003)	2,648,514
Net Assets Beginning of Year	<u>39,812,011</u>	<u>41,213,014</u>	<u>(1,401,003)</u>
Net Assets End of Year	<u>\$41,059,522</u>	<u>\$39,812,011</u>	<u>\$1,247,511</u>

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Property taxes made up approximately 32 percent of general revenues for governmental activities for the Cambridge City School District. Of the remaining general revenues, the School District receives 67 percent from state foundation and federal and state grants, and 1 percent from interest and miscellaneous receipts. The School District experienced a significant increase in property taxes from fiscal year 2010 to fiscal year 2011. The increase is primarily due to a large increase in the amount available as advance on the August property tax settlement.

Instruction comprises approximately 58 percent of governmental program expenses and reflected a \$257,896 increase from fiscal year 2010. Overall, program expenses of the School District increased by \$594,694, with the largest increase being reflected in regular instruction. This increase was offset primarily by reductions in student intervention services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 compared to fiscal year 2010. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
Program Expenses				
Instruction:				
Regular	\$11,674,161	\$10,822,150	\$11,215,867	\$10,568,054
Special	3,366,575	1,802,130	3,439,405	2,418,156
Vocational	290,628	197,152	139,179	46,399
Adult/Continuing	14,240	14,240	13,493	13,493
Student Intervention Services	25,972	25,972	305,736	305,736
Support Services:				
Pupils	1,236,437	1,044,044	1,110,465	940,662
Instructional Staff	1,514,014	272,830	1,397,219	481,112
Board of Education	73,694	73,694	71,420	71,420
Administration	1,535,364	1,402,331	1,668,784	1,521,899
Fiscal	519,089	518,114	536,186	367,306
Business	87,633	87,633	92,440	92,440
Operation and Maintenance of Plant	2,412,363	2,181,270	2,420,521	2,322,567
Pupil Transportation	1,202,721	1,188,716	1,215,294	1,215,294
Central	247,946	237,199	279,127	125,336
Food Service Operations	1,049,166	(82,208)	1,187,596	15,321
Other Non-Instructional Services	112,865	15,341	71,218	(2,587)
Extracurricular Activities	602,435	427,096	563,839	320,608
Interest and Fiscal Charges	655,367	655,367	298,187	298,187
Total	\$26,620,670	\$20,883,071	\$26,025,976	\$21,121,403

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Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 84 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenues support is approximately 78 percent.

The School District Major Funds

Information about the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$20,104,100 and expenditures of \$19,249,013. The fund balance of the General Fund increased \$855,087 from fiscal year 2010 due primarily to increases in tax revenue.

The Bond Retirement Debt Service Fund had total revenues of \$804,240, which exceeded expenditures of \$647,238. As a result, the Bond Retirement Debt Service Fund realized an increase in fund balance in the amount of \$157,002 from fiscal year 2010.

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 2011, the School District amended its General Fund estimated resources and appropriations, and the budgetary statement reflects both the original and final appropriated amounts. With the exception of intergovernmental and property tax revenues, there were no significant changes between the original and final budget. The actual results of operations were slightly different than budgeted amounts as spending in most categories was lower than budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$39,771,292 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2011 balances compared to 2010.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

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

	Governmental Activities	
	2011	2010
Land	\$5,031,339	\$5,031,339
Land Improvements	414,588	447,391
Buildings and Improvements	33,326,479	34,358,623
Furniture and Fixtures	358,267	382,242
Machinery and Equipment	492,539	523,874
Vehicles	148,080	201,119
Totals	\$39,771,292	\$40,944,588

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

Debt

At June 30, 2011, the School District had \$5,939,632 in general obligation bonds outstanding (including premiums, discounts and accretion), of which \$425,000 is due within one year. During fiscal year 2011, the School District made lease payments in the amount of \$10,247 and at year end, \$25,240 was outstanding on the capital leases with \$11,228 due within one year. See Note 15 to the basic financial statements for more information on debt.

Economic Factors

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

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

The School District's emergency operating levy generates \$1,455,000 each year. A renewal of the existing emergency operating levy was passed in November, 2006. The School District will need to place the renewal of the existing levy on the ballot prior to fiscal year 2013.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2012 and deficit cash balances beginning in fiscal year 2013.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Charles Radcliff, Treasurer, at Cambridge City School District, 6111 Fairdale Road, Cambridge, Ohio 43725, or E-Mail at charles.radcliff@omeresanet.net.

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Cambridge City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,095,775
Cash and Cash Equivalents in Segregated Accounts	1,319,775
Cash and Cash Equivalents with Fiscal Agents	419,284
Investments in Segregated Accounts	15,539
Inventory Held for Resale	10,669
Materials and Supplies Inventory	62,516
Accounts Receivable	53,457
Intergovernmental Receivable	1,253,333
Prepaid Items	88,670
Property Taxes Receivable	7,604,821
Deferred Charges	43,643
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>34,739,953</u>
<i>Total Assets</i>	<u>55,738,774</u>
Liabilities	
Accounts Payable	76,817
Accrued Wages and Benefits Payable	2,194,239
Intergovernmental Payable	613,990
Accrued Interest Payable	16,331
Matured Compensated Absences Payable	78,499
Deferred Revenue	3,957,471
Claims Payable	428,274
Long-Term Liabilities:	
Due Within One Year	567,314
Due In More Than One Year	<u>6,746,317</u>
<i>Total Liabilities</i>	<u>14,679,252</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	34,201,140
Restricted for:	
Debt Service	2,218,983
Capital Projects	1,752,462
Bus Purchase	10,656
Food Service	181,862
State Programs	17,163
Federal Programs	138,877
Unclaimed Monies	12,865
Music Supplies:	
Non-Expendable	500
Expendable	2,014
Other Purposes	864,711
Unrestricted	<u>1,658,289</u>
<i>Total Net Assets</i>	<u><u>\$41,059,522</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense)/ Revenue and Change in Net Assets	
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$11,674,161	\$697,400	\$154,611	(\$10,822,150)	
Special	3,366,575	26,793	1,537,652	(1,802,130)	
Vocational	290,628	0	93,476	(197,152)	
Adult/Continuing	14,240	0	0	(14,240)	
Student Intervention Services	25,972	0	0	(25,972)	
Support Services:					
Pupils	1,236,437	0	192,393	(1,044,044)	
Instructional Staff	1,514,014	0	1,241,184	(272,830)	
Board of Education	73,694	0	0	(73,694)	
Administration	1,535,364	0	133,033	(1,402,331)	
Fiscal	519,089	0	975	(518,114)	
Business	87,633	0	0	(87,633)	
Operation and Maintenance of Plant	2,412,363	6,385	168,105	56,603	(2,181,270)
Pupil Transportation	1,202,721	0	14,005	(1,188,716)	
Central	247,946	0	10,747	(237,199)	
Operation of Non-Instructional Services:					
Food Service Operations	1,049,166	265,364	866,010	82,208	
Other Non-Instructional Services	112,865	0	97,524	(15,341)	
Extracurricular Activities	602,435	171,882	3,457	(427,096)	
Interest and Fiscal Charges	655,367	0	0	(655,367)	
<i>Totals</i>	<u>\$26,620,670</u>	<u>\$1,167,824</u>	<u>\$4,513,172</u>	<u>\$56,603</u>	<u>(20,883,071)</u>
General Revenues					
Property Taxes Levied For:					
				6,228,102	
				682,096	
				92,254	
Grants and Entitlements not					
				14,892,487	
				31,146	
				204,497	
				<u>22,130,582</u>	
				<i>Change in Net Assets</i>	1,247,511
				<i>Net Assets Beginning of Year</i>	<u>39,812,011</u>
				<i>Net Assets End of Year</i>	<u><u>\$41,059,522</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,426,517	\$1,882,800	\$1,061,246	\$4,370,563
Cash and Cash Equivalents in Segregated Accounts			1,319,775	1,319,775
Investments in Segregated Accounts	15,539	0	0	15,539
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,525	0	0	23,525
Receivables:				
Property Taxes	6,716,143	791,328	97,350	7,604,821
Accounts	53,457	0	0	53,457
Intergovernmental	60,651	0	1,192,682	1,253,333
Prepaid Items	88,670	0	0	88,670
Inventory Held for Resale	0	0	10,669	10,669
Materials and Supplies Inventory	59,082	0	3,434	62,516
<i>Total Assets</i>	<u>\$8,443,584</u>	<u>\$2,674,128</u>	<u>\$3,685,156</u>	<u>\$14,802,868</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$63,626	\$0	\$13,191	\$76,817
Accrued Wages and Benefits Payable	1,725,282	0	468,957	2,194,239
Intergovernmental Payable	520,746	0	93,244	613,990
Matured Compensated Absences Payable	59,584	0	18,915	78,499
Deferred Revenue	5,010,089	601,815	1,081,982	6,693,886
<i>Total Liabilities</i>	<u>7,379,327</u>	<u>601,815</u>	<u>1,676,289</u>	<u>9,657,431</u>
Fund Balances				
Nonspendable:				
Inventories	59,082	0	14,103	73,185
Prepaid Items	88,670	0	0	88,670
Unclaimed Monies	12,869	0	0	12,869
Music Supplies:	0	0	500	500
Restricted for:				
Debt Service	0	2,072,313	0	2,072,313
Capital Projects	0	0	1,314,761	1,314,761
Bus Purchase	10,656	0	0	10,656
Food Service Operations	0	0	216,807	216,807
State Grant Expenditures	0	0	24,942	24,942
Federal Grant Expenditures	0	0	3,464	3,464
Music Supplies	0	0	2,014	2,014
Classroom Facilities Maintenance	0	0	118,917	118,917
Other Purposes	0	0	51,229	51,229
Committed to:				
Encumbrances	21,167	0	0	21,167
Scholarships	0	0	62,916	62,916
Assigned to:				
Encumbrances	271,372	0	0	271,372
Fiscal Year 2012 Appropriations	186,310	0	0	186,310
Capital Projects	0	0	392,319	392,319
Other Purposes	30,700	0	0	30,700
Unassigned (Deficit)	383,431	0	(193,105)	190,326
<i>Total Fund Balances</i>	<u>1,064,257</u>	<u>2,072,313</u>	<u>2,008,867</u>	<u>5,145,437</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,443,584</u>	<u>\$2,674,128</u>	<u>\$3,685,156</u>	<u>\$14,802,868</u>

See accompanying notes to the basic financial statements

Cambridge City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances \$5,145,437

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

Capital assets used in governmental activities are not financial resources
 and therefore are not reported in the funds. 39,771,292

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

Property Taxes	1,672,908	
Grants	1,010,050	
Tuition and Fees	34,836	
Extracurricular Activities	<u>18,621</u>	
Total		2,736,415

Accrued interest payable is recognized for outstanding long-term liabilities
 with interest accruals that are not expected to be paid with expendable
 available resources and therefore are not reported in the funds. (16,331)

Unamortized issuance costs represent deferred charges which do not provide
 current financial resources and, therefore, are not reported in the funds. 43,643

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

General Obligation Bonds - Serial	(5,200,000)	
General Obligation Bonds - Capital Appreciation	(140,000)	
Accretion on Capital Appreciation Bonds Interest	(351,077)	
Premium	(286,669)	
Discount	38,114	
Capital Leases	(25,240)	
Compensated Absences Payable	<u>(1,348,759)</u>	
Total		(7,313,631)

An internal service fund is used by management to charge to costs
 of insurance to individual funds. The assets and liabilities of the
 internal service fund are included in governmental activities in the
 statement of net assets. 692,697

Net Assets of Governmental Activities \$41,059,522

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, 2011

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$5,772,781	\$647,169	\$84,235	\$6,504,185
Intergovernmental	13,323,101	157,071	5,005,755	18,485,927
Interest	19,311	0	12,381	31,692
Tuition and Fees	728,438	0	0	728,438
Rent	6,385	0	0	6,385
Extracurricular Activities	40,745	0	132,273	173,018
Gifts and Donations	8,980	0	5,096	14,076
Customer Sales and Services	0	0	265,364	265,364
Miscellaneous	204,359	0	138	204,497
<i>Total Revenues</i>	<u>20,104,100</u>	<u>804,240</u>	<u>5,505,242</u>	<u>26,413,582</u>
Expenditures				
Current:				
Instruction:				
Regular	10,061,631	0	1,185,173	11,246,804
Special	1,839,686	0	1,359,757	3,199,443
Vocational	284,106	0	0	284,106
Adult/Continuing	14,240	0	0	14,240
Student Intervention Services	11,011	0	0	11,011
Support Services:				
Pupils	994,082	0	181,808	1,175,890
Instructional Staff	236,489	0	1,206,599	1,443,088
Board of Education	70,600	0	0	70,600
Administration	1,313,075	0	137,219	1,450,294
Fiscal	472,049	19,875	2,419	494,343
Business	86,150	0	0	86,150
Operation and Maintenance of Plant	2,089,568	0	252,828	2,342,396
Pupil Transportation	1,135,773	0	19,648	1,155,421
Central	205,995	0	16,375	222,370
Operation of Non-Instructional Services:				
Food Service Operations	0	0	956,619	956,619
Other Non-Instructional Services	1,115	0	108,674	109,789
Extracurricular Activities	420,361	0	125,809	546,170
Capital Outlay	0	0	25,048	25,048
Debt Service:				
Principal Retirement	10,247	400,000	0	410,247
Interest and Fiscal Charges	2,835	227,363	0	230,198
<i>Total Expenditures</i>	<u>19,249,013</u>	<u>647,238</u>	<u>5,577,976</u>	<u>25,474,227</u>
<i>Net Change in Fund Balances</i>	855,087	157,002	(72,734)	939,355
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>209,170</u>	<u>1,915,311</u>	<u>2,081,601</u>	<u>4,206,082</u>
<i>Fund Balances End of Year</i>	<u>\$1,064,257</u>	<u>\$2,072,313</u>	<u>\$2,008,867</u>	<u>\$5,145,437</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$939,355

*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	71,048	
Depreciation Expense	(1,244,344)	
Total		(1,173,296)

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

Property Taxes	498,267	
Intergovernmental	949,897	
Tuition and Fees	(4,245)	
Extracurricular Activities	(1,136)	
Total		1,442,783

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

General Obligation Bonds	400,000	
Capital Leases	10,247	
Total		410,247

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

Accrued Interest Payable	2,529	
Accretion of Interest	(96,691)	
Amortization of Capital Appreciation Bond Premium	56,567	
Amortization of Deferred Amount on Refunding	(388,554)	
Amortization of Serial Bond Premium	8,138	
Amortization of Discount	(3,337)	
Amortization of Issuance Costs	(3,821)	
Total		(425,169)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

27,543

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities.

The net change in net assets of the internal service fund is reported with governmental activities.

26,048

Change in Net Assets of Governmental Activities

\$1,247,511

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, 2011

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,229,500	\$5,061,500	\$5,168,270	\$106,770
Intergovernmental	12,988,150	13,085,815	13,304,464	218,649
Interest	13,385	13,385	17,483	4,098
Tuition and Fees	679,880	679,880	728,438	48,558
Rent	2,125	2,125	6,385	4,260
Extracurricular Activities	20,400	20,400	40,745	20,345
Gifts and Donations	9,425	9,425	8,980	(445)
Miscellaneous	93,700	116,700	124,242	7,542
<i>Total Revenues</i>	19,036,565	18,989,230	19,399,007	409,777
Expenditures				
Current:				
Instruction:				
Regular	10,106,393	10,081,400	9,976,193	105,207
Special	2,020,306	2,020,306	1,929,873	90,433
Vocational	203,433	203,433	285,919	(82,486)
Adult/Continuing	14,500	14,500	14,240	260
Student Intervention Services	260,561	260,561	54,096	206,465
Support Services:				
Pupils	945,193	945,193	979,197	(34,004)
Instructional Staff	285,228	285,228	265,483	19,745
Board of Education	98,647	98,647	83,228	15,419
Administration	1,396,035	1,396,035	1,311,524	84,511
Fiscal	490,209	490,209	496,568	(6,359)
Business	103,178	103,178	87,733	15,445
Operation and Maintenance of Plant	2,373,135	2,373,135	2,351,793	21,342
Pupil Transportation	1,237,695	1,237,695	1,168,532	69,163
Central	265,389	265,689	234,157	31,532
Operation of Non-Instructional Services	624	624	1,273	(649)
Extracurricular Activities	429,506	451,506	420,915	30,591
<i>Total Expenditures</i>	20,230,032	20,227,339	19,660,724	566,615
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,193,467)	(1,238,109)	(261,717)	976,392
Other Financing Sources (Uses)				
Transfers In	20,000	25,000	0	(25,000)
Insurance Recoveries	0	0	11,229	11,229
Refund of Prior Year Expenditures	5,000	5,000	29,007	24,007
Transfers Out	(20,000)	(20,000)	0	20,000
Refund of Prior Year Receipts	0	(10,000)	(4,264)	5,736
Other Financing Uses	(93,000)	(53,000)	0	53,000
<i>Total Other Financing Sources (Uses)</i>	(88,000)	(53,000)	35,972	88,972
<i>Net Change in Fund Balance</i>	(1,281,467)	(1,291,109)	(225,745)	1,065,364
<i>Fund Balance Beginning of Year</i>	790,216	790,216	790,216	0
Prior Year Encumbrances Appropriated	526,897	526,897	526,897	0
<i>Fund Balance End of Year</i>	\$35,646	\$26,004	\$1,091,368	\$1,065,364

See accompanying notes to the basic financial statements

Cambridge City School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2011

	Governmental Activity <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$701,687
Cash and Cash Equivalents with Fiscal Agents	<u>419,284</u>
<i>Total Assets</i>	<u>1,120,971</u>
Current Liabilities	
Claims Payable	<u>428,274</u>
<i>Total Liabilities</i>	<u>428,274</u>
Net Assets	
Unrestricted	<u><u>\$692,697</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Governmental Activity Internal Service Fund
Operating Revenues	
Charges for Services	\$3,789,188
<i>Total Operating Revenues</i>	<i>3,789,188</i>
Operating Expenses	
Purchased Services	1,079,636
Claims	2,695,320
<i>Total Operating Expenses</i>	<i>3,774,956</i>
<i>Operating Income</i>	14,232
Non-Operating Revenues	
Interest	11,816
<i>Net Change in Net Assets</i>	26,048
<i>Net Assets Beginning of Year</i>	666,649
<i>Net Assets End of Year</i>	\$692,697

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, 2011

	<u>Governmental Activity Internal Service Fund</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,789,188
Cash Payments for Goods and Services	(1,079,636)
Cash Payments for Claims	<u>(2,645,926)</u>
Net Provided by Operating Activities	<u>63,626</u>
Cash Flows from Investing Activities	
Interest	<u>11,816</u>
<i>Net Increase in Cash and Cash Equivalents</i>	75,442
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,045,529</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,120,971</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$14,232
Changes in Liabilities:	
Increase in Claims Payable	<u>49,394</u>
Net Provided by Operating Activities	<u><u>\$63,626</u></u>
See accompanying notes to the basic financial statements	

Cambridge City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$430,171	\$22,544
Cash and Cash Equivalents in Segregated Accounts	<u>40,919</u>	<u>0</u>
<i>Total Assets</i>	<u>471,090</u>	<u><u>\$22,544</u></u>
Liabilities		
Due to Students	<u>0</u>	<u><u>\$22,544</u></u>
Net Assets		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	<u>137,375</u>	
Total Net Assets	<u><u>\$471,090</u></u>	

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

	Private Purpose Trust
Additions	
Gifts and Contributions	\$16,200
Interest	6,196
Miscellaneous	481
	<hr/>
<i>Total Additions</i>	22,877
Deductions	
Payments in Accordance with Trust Agreements	21,459
	<hr/>
<i>Change in Net Assets</i>	1,418
<i>Net Assets Beginning of Year</i>	469,672
	<hr/>
<i>Net Assets End of Year</i>	\$471,090
	<hr/> <hr/>

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, 2011

Note 1 - Description of the School District and Reporting Entity

Cambridge City School District (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 117 classified employees and 180 certified personnel, who provide services to 2,461 students and other community members.

Reporting Entity

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, the Metropolitan Educational Council (MEC), the Educational Regional Service System 12 (ERSS), and the Coalition of Rural and Appalachian Schools (CORAS), which are jointly governed organizations, and the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Self-Insurance Plan and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (NCEB) which are defined insurance purchasing pools. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty and student activities.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District has separate bank accounts for self-insurance, scholarship, OSFC project construction, and athletic monies. The self-insurance account includes money that is distributed for medical/surgical, prescription drug and dental claims. This account is presented on the financial statements as "cash and cash equivalents with fiscal agents. The scholarship, OSFC project construction, 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 2011, investments were limited to common stock. Investments in common stock are stated at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$19,311, which includes \$10,243 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. The School District reports the change in fair value of investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

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For the Fiscal Year Ended June 30, 2011

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

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Fixtures	5-20 years
Machinery and Equipment	5-20 years
Vehicles	10 years

I. Interfund Balances

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

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for the purchase of buses, amounts required by State Statue to be set-aside by the School District for the purchase of textbooks and other instructional materials, and unclaimed monies not available for appropriation.

K. Compensated Absences

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Internal Activity

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

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

N. Fund Balance Reserves

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Cambridge City School District
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For the Fiscal Year Ended June 30, 2011

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

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

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

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

O. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

P. Net Assets

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

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Process

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the function and object levels and has the authority to allocate appropriations at these levels without resolution by the Board.

Cambridge City School District
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For the Fiscal Year Ended June 30, 2011

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

Note 3 - Change in Accounting Principle and Restatement of Prior Year's Fund Balance

A. Changes in Accounting Principle

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications than can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

B. Restatement of Prior Year's Fund Balance

Due to the implementation of GASB Statement No. 54, fund reclassification occurred for funds that had previously been reported as non-major special revenue funds and are now major or are being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	General	Bond Retirement	Other Governmental Funds
Fund Balance (Deficit), June 30, 2010	\$168,532	\$1,915,311	\$2,122,239
Restatement, Fund Classification	40,638	0	(40,638)
Adjusted Fund Balance (Deficit), June 30, 2010	\$209,170	\$1,915,311	\$2,081,601

Note 4 - Accountability

The following funds had deficit fund balances as of June 30, 2011:

Cambridge City School District
Notes to the Basic Financial Statements
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<u>Special Revenue Funds:</u>	<u>Amount</u>
Education Jobs	\$5,744
IDEA Part B	35,501
ARRA-Education Stabilization	129,072
Miscellaneous Federal Grants	22,788

These deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included on the budgetary statement, but reported on the operating statement prepared using GAAP.
5. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis) but not on budget basis.

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

Cambridge City School District
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Net Change in Fund Balance

	General
GAAP Basis	\$855,087
Revenue Accruals	(665,162)
Fiscal Year 2010 Unreported Cash	2,133
Fiscal Year 2010 Market Value Adjustment	13,711
Fiscal Year 2011 Market Value Adjustment	(15,539)
Fiscal Year 2010 Prepaid Items	84,076
Fiscal Year 2011 Prepaid Items	(88,670)
Expenditure Accruals	(52,707)
Encumbrances	(358,674)
Budget Basis	(\$225,745)

Note 6 - Deposits and Investments

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

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

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

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above ;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,782,482 of the School District’s bank balance of \$7,122,969, including the payroll account balance of \$306,538, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2011, the School District had the following investment, of which is a part of the internal investment pool.

	Fair Value	Maturity	S&P Rating	Percent of Total Investments
JP Morgan Chase & Co. Common Stock	\$17,277	N/A	N/R	100.00%

Credit Risk The School District has no investment policy that would further limit its investment choices. The investments in common stock are donated investments, and were not purchased by the School District.

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 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.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Cambridge City School District
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The amount available as an advance, and recognized as revenue at June 30, 2011, was \$1,759,511 in the General Fund, \$25,418 in the Classroom Facilities Maintenance Special Revenue Fund, and \$189,513 in the Bond Retirement Debt Service Fund. At June 30, 2010, \$1,155,000 was available as an advance in the General Fund, \$16,000 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$157,000 was available in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$197,748,690	90.83%	\$198,070,020	90.84%
Public Utility Personal	19,965,980	90.17%	19,965,980	9.16%
Total	\$217,714,670	181.00%	\$218,036,000	100.00%
Tax Rate per \$1,000 of assessed valuation	\$39.62		\$38.60	

Note 8 - Receivables

Receivables at June 30, 2011, consisted of property taxes, accounts (student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,672,908 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Governmental Activities:	
OSFC Project Construction Close-Out	\$45,382
PASS Adjustment	5,095
Retirement Overpayments	55,556
Food Service Reimbursements	218
Education Jobs	670,950
IDEA Part B	117,333
Title II-D	2,943
Title I	280,400
Title VI-B	9,014
Title II-A	66,442
	\$1,253,333

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District purchased the following coverage:

<u>Barengo Insurance Agency</u>			
Property Blanket	\$84,686,000		
General Liability	\$3,000,000	annual aggregate	
Inland Marine	\$10,000-\$500,000	\$250 deductible	
Commercial Crime	\$25,000-\$100,000	\$500-\$1,000 deductible	
Commercial Automobile	\$5,000-\$1,000,000	each accident	
Umbrella	\$6,000,000	annual aggregate	
 <u>W.B. Green & Co., Inc.</u>			
Treasurer Bond Insurance	\$50,000		
Superintendent and Board President			
Bond Insurance	\$20,000	each	
Blanket Bond Insurance covering			
all employees	\$25,000	\$500 deductible	

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

B. Workers' Compensation

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

C. Employee Medical Benefits

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

All employees were covered for medical/surgical, prescription drug, and dental coverage through the OME-RESA self-insured plan. The Board pays 90 percent of premiums for all medical/surgical and prescription drug coverage and 100 percent of the premium for dental coverage. The monthly cost of premiums is \$604.94 for single coverage and \$1,389.73 for family coverage on medical/surgical and prescription drug coverage for certified employees and \$625.76 for single coverage and \$1,437.58 for family coverage on

Cambridge City School District
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For the Fiscal Year Ended June 30, 2011

medical/surgical and prescription drug coverage for the classified staff. The total monthly cost of the premiums for dental coverage is \$27.40 for single and \$62.95 for family coverage.

The claims liability of \$428,274 reported in the internal service fund at June 30, 2011, 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	Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$480,000	\$3,530,650	\$3,631,770	\$378,880
2011	378,880	2,695,320	2,645,926	428,274

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for certified employees and 240 days for classified employees.

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

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

B. Life Insurance

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

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Cambridge City School District
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	Balance 06/30/2010	Additions	Reductions	Balance 06/30/2011
Governmental Activities:				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	<u>5,031,339</u>	<u>0</u>	<u>0</u>	<u>5,031,339</u>
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,365,052	13,618	(538)	42,378,132
Furniture and Fixtures	524,775	0	0	524,775
Machinery and Equipment	1,311,513	57,430	(42,794)	1,326,149
Vehicles	1,445,544	0	0	1,445,544
Total capital assets being depreciated	<u>46,302,940</u>	<u>71,048</u>	<u>(43,332)</u>	<u>46,330,656</u>
Accumulated depreciation				
Land Improvements	(208,665)	(32,803)	0	(241,468)
Buildings and Improvements	(8,006,429)	(1,045,762)	538	(9,051,653)
Furniture and Fixtures	(142,533)	(23,975)	0	(166,508)
Machinery and Equipment	(787,639)	(88,765)	42,794	(833,610)
Vehicles	(1,244,425)	(53,039)	0	(1,297,464)
Total accumulated depreciation	<u>(10,389,691)</u>	<u>(1,244,344) *</u>	<u>43,332</u>	<u>(11,590,703)</u>
Capital assets being depreciated, net	<u>35,913,249</u>	<u>(1,173,296)</u>	<u>0</u>	<u>34,739,953</u>
Governmental Activities capital assets, net	<u>\$40,944,588</u>	<u>(\$1,173,296)</u>	<u>\$0</u>	<u>\$39,771,292</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$485,814
Special	148,978
Vocational	6,613
Intervention	13,243
Support Services:	
Pupils	54,430
Instructional Staff	60,521
Board of Education	3,094
Administration	86,246
Fiscal	23,225
Business	4,004
Operation and Maintenance of Plant	111,841
Pupil Transportation	54,793
Central	26,745
Extracurricular Activities	56,265
Operation of Non-Instructional Services	3,085
Food Service Operations	105,447
Total Depreciation Expense	<u>\$1,244,344</u>

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$160,355, \$404,959, and \$230,980, respectively. For fiscal year 2011, 62 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended 2011, 2010, and 2009 were \$1,293,572, \$1,384,292, and \$1,343,849, respectively. For fiscal year 2011, 85.13 has been contributed for fiscal year 2011 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$31,495 made by the School District and \$22,496 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105e. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$75,098, \$15,893, and \$142,936, respectively; 39.46 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$11,292, \$24,158, and \$20,261, respectively; 65.27 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$101,928, \$101,559, and \$102,745, respectively; 83.11 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 14 - Capital Leases

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

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

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$52,690, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$26,347. Principal payments in fiscal year 2011 totaled \$10,247, in the governmental funds.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$11,228	\$1,854
2013	12,305	778
2014	1,707	17
Totals	<u>\$25,240</u>	<u>\$2,649</u>

Note 15 - Long Term Obligations

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

	<u>Principal Outstanding 06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/11</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
2000 Classrom Facilities					
Construction and Improvement General					
Obligation Bonds:					
Serial Bonds - 4.20-5.40%	\$335,000	\$0	\$335,000	\$0	\$0
2005 Classroom Facilities					
Refunding General Obligation Bonds:					
Serial Bonds - 3.25%-5.5%	5,265,000	0	65,000	5,200,000	425,000
Original Issue of Capital Appreciation					
Bonds - 22.66%-23.63%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	254,386	96,691	0	351,077	0
Premium on Capital Appreciation Bonds	250,290	0	56,567	193,723	0
Deferred Amount on Refunding	(388,554)	0	(388,554)	0	0
Premium on Serial Bonds	101,084	0	8,138	92,946	0
Discount	(41,451)	0	(3,337)	(38,114)	0
Total 2005 Bonds	<u>5,580,755</u>	<u>96,691</u>	<u>(262,186)</u>	<u>5,939,632</u>	<u>425,000</u>
Total Bonds	5,915,755	96,691	72,814	5,939,632	425,000
Capital Leases	35,487	0	10,247	25,240	11,228
Compensated Absences	1,376,302	190,298	217,841	1,348,759	131,086
Total Governmental Activities	<u>\$7,327,544</u>	<u>\$286,989</u>	<u>\$300,902</u>	<u>\$7,313,631</u>	<u>\$567,314</u>

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

On September 13, 2005, the School District issued \$5,745,000 in refunding bonds to retire \$5,745,000 of outstanding school improvement bonds. \$6,283,525 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. \$5,745,000 of refunded bonds was considered defeased and the liability was removed from the statement of net assets. The defeased bonds were called and fully repaid in December 2010.

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

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$56,567 was amortized in fiscal year 2011. The capital appreciation bonds will mature in fiscal year 2014. The maturity amount of the bonds is \$940,000. For the fiscal year 2011, \$96,691 was accreted for a total bond value of \$491,077.

Unamortized issuance costs in the amount of \$43,643, are reported as deferred charges and are being amortized over the life of the bonds, using the straight-line method. The amortization of the issuance costs for 2011 was \$3,821.

The overall debt margin of the School District as of June 30, 2011, was \$16,296,927, with an unvoted debt margin of \$217,665.

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending	2005 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2012	\$425,000	\$210,163	\$0	\$0
2013	440,000	190,624	0	0
2014	0	178,525	75,000	395,000
2015	0	178,525	65,000	405,000
2016	470,000	169,125	0	0
2017-2021	2,650,000	526,324	0	0
2022-2023	1,215,000	49,100	0	0
	\$5,200,000	\$1,502,386	\$140,000	\$800,000

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 - Jointly Governed Organizations

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

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The total amount paid to OME-RESA from the School District for the fiscal year 2011 was \$66,478. The governing board of OME-RESA is selected by the member districts. OME-RESA possesses its own budgeting, appropriating, contract and designating management. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Boulevard, Steubenville, Ohio 43952. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved.

B. Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2011, the School District made no payments to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering several counties in greater Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board is comprised of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership fee was \$988 for fiscal year 2011. During fiscal year 2011, the total amount paid to MEC from the School District was \$205,896 for cooperative gas purchasing services. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, fiscal officer, 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

D. Educational Regional Service System Region 12

Educational Regional Service System Region 12 - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts,

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

E. Coalition of Rural and Appalachian Schools (CORAS)

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2011.

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

A. Northern Buckeye Educational Council (NBEC)

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

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

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Sun Life.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

Note 19 - Set-Asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2010	\$0	\$16,843
Current Year Set-aside Requirement	337,747	337,747
Excess Qualified Expenditures from Prior Years	0	0
Current Year Offsets	(689,473)	0
Current Year Qualifying Disbursements	(211,956)	(357,276)
Total	<u>(\$563,682)</u>	<u>(\$2,686)</u>
 Set-aside Reserve Balance as of June 30, 2011	 <u>\$0</u>	 <u>(\$2,686)</u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-asides below zero, which may not be carried forward to future fiscal years. The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amounts to or below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements of future years. Excess qualified expenditures for capital improvements and excess annual offsets do not carry forward. Effective July 1, 2011, House Bill 30, "The Unfunded Mandates Relief Act", eliminates the requirement that school districts annually set-aside an amount per pupil into a textbook and instructional materials fund.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. The endowments are \$333,715. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$137,375 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowments, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

Note 21 - Subsequent Events

On the November 2011 ballot, the School District placed a 12.84 mill emergency operating levy on the ballot which failed. The School District's Board of Education passed a resolution at the December 2011 special board meeting approving a resolution for the placement of a 12.78 mill emergency operating levy on the March 2012 ballot. The emergency operating levy is projected to generate approximately \$2,910,000 in property tax revenue to be credited to the General Fund.

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**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	2010/2011	10.555	\$40,836	\$40,836
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	231,001	231,001
National School Lunch Program	2010/2011	10.555	586,879	586,879
National School Lunch Program - Equipment Grant	2010/2011	10.579	11,800	11,800
Cash Assistance Subtotal			<u>829,680</u>	<u>829,680</u>
Total Child Nutrition Cluster			<u>870,516</u>	<u>870,516</u>
Total U.S. Department of Agriculture			870,516	870,516
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	189,051	164,138
	2011		998,623	929,398
Total Title I Grants to Local Educational Agencies			<u>1,187,674</u>	<u>1,093,536</u>
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	68,049	65,294
	2011		170,638	176,141
Total ARRA - Title I Grants to Local Educational Agencies			<u>238,687</u>	<u>241,435</u>
Total Title I, Part A Cluster			<u>1,426,361</u>	<u>1,334,971</u>
Special Education (IDEA) Cluster:				
Special Education Grants to States	2010	84.027	85,303	70,294
	2011		523,008	503,520
Total Special Education Grants to States			<u>608,311</u>	<u>573,814</u>
Special Education, Preschool Grants	2011	84.173	25,724	25,724
ARRA - Special Education Grants to States	2010	84.391	34,403	64,943
	2011		298,826	298,826
Total ARRA - Special Education Grants to States			<u>333,229</u>	<u>363,769</u>
Total Special Education Cluster			967,264	963,307
Safe and Drug-Free Schools and Communities, State Grants	2010	84.186	457	458
Education Technology State Grants Cluster:				
Education Technology State Grants	2010	84.318	(100)	
	2011		4,466	5,487
Total Education Technology State Grants			<u>4,366</u>	<u>5,487</u>
ARRA - Education Technology State Grants	2011	84.386	225,504	225,504
Total Education Technology State Grants Cluster			<u>229,870</u>	<u>230,991</u>
Rural and Low Income Education	2010	84.358	(1,154)	6,067
	2011		70,524	64,764
Total Rural and Low Income Education			<u>69,370</u>	<u>70,831</u>
Improving Teacher Quality State Grants	2010	84.367	29,524	25,204
	2011		237,924	227,907
Total Improving Teacher Quality State Grants			<u>267,448</u>	<u>253,111</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	N/A	84.394	1,009,700	1,009,700
Total U.S. Department of Education			<u>3,970,470</u>	<u>3,863,369</u>
Total Federal Awards Receipts and Expenditures			<u>\$4,840,986</u>	<u>\$4,733,885</u>

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

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No.54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Dave Yost
Auditor of State

February 21, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Cambridge City School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not 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 compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 21, 2012

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 and #84.389 Special Education Cluster: Special Education, Grants to States – CFDA #84.027, 84.391, and #84.173 State Fiscal Stabilization Fund, Education State Grants, Recovery Act – CFDA #84.394 Child Nutrition Cluster – CFDA #10.553, #10.555 and #10.579
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the Auditor of State shall identify whether the school district has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Cambridge City School District, Guernsey County, Ohio (the School District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy on December 14, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 21, 2012

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CAMBRIDGE CITY SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2012**