



Dave Yost • Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

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GUERNSEY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2016

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Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Cambridge City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$620,807.
- General revenues accounted for \$19,440,761 in revenue or 77 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,931,230 or 23 percent of total revenues of \$25,371,991.
- Total assets increased \$129,892. The majority of this increase is due to an increase in cash and cash equivalents with fiscal agents which is offset by decreases in capital assets and property taxes and intergovernmental receivables.
- The School District had \$24,751,184 in expenses related to governmental activities; only \$5,931,230 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$19,440,761 were adequate to provide for these programs.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Cambridge City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

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

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

Reporting the District's Fiduciary Responsibilities

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

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

(Table 1)
 Net Position

	Governmental Activities		
	2015	2014	Change
Assets			
Current and Other Assets	\$15,927,081	\$15,763,564	\$163,517
Capital Assets, Net	36,623,895	36,657,520	(33,625)
<i>Total Assets</i>	<u>52,550,976</u>	<u>52,421,084</u>	<u>129,892</u>
Deferred Outflows of Resources			
Pension	1,926,962	1,549,587	377,375
Liabilities			
Current and Other Liabilities	2,871,123	3,189,480	(318,357)
Long-Term Liabilities			
Due Within One Year	578,793	461,669	117,124
Due in More Than One Year:			
Net Pension Liability	26,513,668	31,515,076	(5,001,408)
Other Amounts Due in More Than One Year	6,224,647	5,825,058	399,589
<i>Total Liabilities</i>	<u>36,188,231</u>	<u>40,991,283</u>	<u>(4,803,052)</u>
Deferred Inflows of Resources			
Property Taxes	3,995,037	4,115,480	(120,443)
Pension	4,809,955	0	4,809,955
<i>Total Deferred Inflows of Resources</i>	<u>8,804,992</u>	<u>4,115,480</u>	<u>4,689,512</u>
Net Position			
Net Investment in Capital Assets	31,312,643	32,193,221	(880,578)
Restricted	3,450,911	3,886,464	(435,553)
Unrestricted (Deficit)	<u>(25,278,839)</u>	<u>(27,215,777)</u>	<u>1,936,938</u>
<i>Total Net Position</i>	<u>\$9,484,715</u>	<u>\$8,863,908</u>	<u>\$620,807</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective: 1. Present value of estimated future pension benefits attributable to active and inactive employees' past service 2. Minus plan assets available to pay these benefits GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan. Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position. In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows. As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$38,829,397 to \$8,863,908.

Total assets increased \$129,892. Cash and cash equivalents with fiscal agents increased \$624,874 due to the amount held in reserve with the School District's Self-Insurance Internal Service Fund. Property taxes receivable decreased \$363,223 due to a reduction in the Bond Retirement Debt Service Fund millage. Capital assets decreased in the amount of \$33,625 as a result of depreciation exceeding capitalization of assets in the current period.

Current and other liabilities decreased by \$318,357. The majority of this decrease is attributable to the current year payroll schedule and the amount of days accrued for wages and benefits as compared to the prior year. Long-term liabilities, excluding the pension liability, increased by \$516,713 mostly due to the issuance of energy conservation improvement bonds offset by the current year payments on outstanding debt.

Total net position of the School District's governmental activities reflects an increase of \$620,807. Net investment in capital assets decreased \$880,578, due primarily to the decrease in capital assets as a result of depreciation expense exceeding capitalization of assets in the current period. The decrease is also due to changes in long-term liabilities related to capital assets. The largest change in net position is reflected in the unrestricted classification and is largely the result of the change in net position of the Self-Insurance Internal Service Fund and pension related items.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, compared to June 30, 2014.

(Table 2)
 Changes in Net Position

	Governmental Activities		Change
	2015	2014	
Revenues			
Program Revenues			
Charges for Services	\$1,057,056	\$1,065,930	(\$8,874)
Operating Grants, Contributions, and Interest	4,856,249	4,880,276	(24,027)
Capital Grants and Contributions	17,925	0	17,925
Total Program Revenues	<u>5,931,230</u>	<u>5,946,206</u>	<u>(14,976)</u>
General Revenues			
Property Taxes	5,909,236	5,989,471	(80,235)
Grants and Entitlements	13,235,592	13,169,133	66,459
Interest	25,079	15,666	9,413
Gain on Sale of Capital Assets	15,669	8,800	6,869
Miscellaneous	255,185	189,051	66,134
Total General Revenues	<u>19,440,761</u>	<u>19,372,121</u>	<u>68,640</u>
Total Revenues	<u>25,371,991</u>	<u>25,318,327</u>	<u>53,664</u>
Program Expenses			
Instruction:			
Regular	10,989,786	10,988,200	1,586
Special	3,979,642	4,106,450	(126,808)
Vocational	64,440	152,544	(88,104)
Adult/Continuing	0	16,244	(16,244)
Student Intervention Services	44,958	38,662	6,296
Support Services:			
Pupils	1,505,898	1,578,808	(72,910)
Instructional Staff	337,589	428,510	(90,921)
Board of Education	86,391	97,480	(11,089)
Administration	1,451,486	1,511,945	(60,459)
Fiscal	540,021	644,700	(104,679)
Business	23,221	33,253	(10,032)
Operation and Maintenance of Plant	2,248,692	2,464,878	(216,186)
Pupil Transportation	1,213,477	1,083,815	129,662
Central	415,462	345,032	70,430
Food Service Operations	930,326	993,192	(62,866)
Other Non-Instructional Services	84,873	70,758	14,115
Extracurricular Activities	619,015	581,416	37,599
Interest and Fiscal Charges	215,907	247,992	(32,085)
Total Expenses	<u>24,751,184</u>	<u>25,383,879</u>	<u>(632,695)</u>
Change in Net Position	620,807	(65,552)	686,359
Net Position Beginning of Year	8,863,908	N/A	
Net Position End of Year	<u>\$9,484,715</u>	<u>\$8,863,908</u>	<u>\$620,807</u>

Cambridge City School District
Management's Discussion and Analysis
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 Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,549,587 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,107,561. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$24,751,184
Pension expense under GASB 68	(1,107,561)
2015 contractually required contribution	<u>1,676,389</u>
Adjusted 2015 program expenses	25,320,012
Total 2014 program expenses under GASB 27	<u>25,383,879</u>
Increase in program expenses not related to pension	<u><u>(\$63,867)</u></u>

Property taxes made up approximately 30 percent of general revenues for governmental activities for the Cambridge City School District. Of the remaining general revenues, the School District receives 68 percent from state foundation and unrestricted federal and state grants, and 2 percent from interest and miscellaneous receipts. The School District experienced a decrease in property taxes from fiscal year 2014 to fiscal year 2015. The decrease is due to a decrease in the millage of the debt service collections. The County Auditor reviews the balance in the Bond Retirement Debt Service Fund and adjusts the millage so that the balance is not excessive as compared to the future debt service requirements.

Instruction comprises approximately 61 percent of governmental program expenses and reflected a \$223,274 decrease from fiscal year 2014. Overall, program expenses of the School District reflect a minimal change, less than two and on-half percent or \$632,695, with the largest decrease being reflected in support services - operation and maintenance of plant.

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 2015 compared to fiscal year 2014. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

(Table 3)
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Program Expenses				
Instruction:				
Regular	\$10,989,786	\$10,116,659	\$10,988,200	\$10,174,620
Special	3,979,642	1,295,739	4,106,450	1,274,769
Vocational	64,440	(61,879)	152,544	27,943
Adult/Continuing	0	0	16,244	16,244
Student Intervention Services	44,958	41,484	38,662	30,011
Support Services:				
Pupils	1,505,898	1,240,341	1,578,808	1,428,659
Instructional Staff	337,589	96,826	428,510	29,131
Board of Education	86,391	86,391	97,480	97,480
Administration	1,451,486	1,257,500	1,511,945	1,361,768
Fiscal	540,021	419,516	644,700	509,354
Business	23,221	23,221	33,253	33,253
Operation and Maintenance of Plant	2,248,692	2,089,097	2,464,878	2,326,234
Pupil Transportation	1,213,477	1,110,961	1,083,815	1,070,105
Central	415,462	391,443	345,032	345,032
Food Service Operations	930,326	76,959	993,192	78,973
Other Non-Instructional Services	84,873	(6,782)	70,758	(19,246)
Extracurricular Activities	619,015	426,571	581,416	405,351
Interest and Fiscal Charges	215,907	215,907	247,992	247,992
Total	\$24,751,184	\$18,819,954	\$25,383,879	\$19,437,673

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 76 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenue support is approximately 76 percent.

The School District Major Funds

Information about the School District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$21,711,104 and expenditures of \$21,207,121. The fund balance of the General Fund increased \$400,666 from fiscal year 2014. This change is primarily due to an overall increase in property taxes revenue as it relates to the amount available as an advance at year end. The increase in revenues is offset by an increase in expenditures in the amount of \$289,808 over fiscal year 2014 primarily due to an increase in the School District's instructional services.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

The Bond Retirement Debt Service Fund had total revenues of \$538,695, which were less than expenditures of \$768,172, and resulted in a decrease in fund balance in the amount of \$123,302 from fiscal year 2014. The revenues and expenditures in this fund are related to revenues and debt service expenditures in accordance with amortization schedules associated with the School District's outstanding debt. The millage for the debt service property tax revenues was reduced because of a more than adequate balance held in the fund for near future debt service requirements.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, the School District did not amend its General Fund estimated resources and appropriations. As such, the budgetary statement reflects the same total original and final appropriated amounts. The actual results of operations were slightly different than budgeted amounts as spending in most current expenditure categories were more than budgeted amounts. However, in total, expenditures in the General Fund, including other financing uses, were below final budgeted amounts. The conservative actual spending against final budgeted amounts resulted in final results exceeding estimated amounts in the amount of \$271,603.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$36,623,895 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2015 balances compared to 2014.

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

	Governmental Activities	
	2015	2014
Land	\$5,031,339	\$5,031,339
Land Improvements	283,376	316,179
Buildings and Improvements	29,210,351	30,218,253
Furniture and Fixtures	304,472	331,815
Machinery and Equipment	1,412,637	331,453
Vehicles	381,720	428,481
Totals	\$36,623,895	\$36,657,520

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

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Debt

At June 30, 2015, the School District had \$5,472,148 in general obligation bonds outstanding (including premiums and accretion), of which \$540,000 is due within one year. During fiscal year 2015, the School District paid \$14,859 towards the buyout of their natural gas contract, and at year end, \$29,716 remained outstanding with \$14,859 being due within one year. See Note 13 to the basic financial statements for more information on debt.

Economic Factors

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

The School District still faces many challenges in today's environment. There is a slight projected decrease in State Revenue for the School District in Fiscal Year 2016 based upon that State Budget. This decrease is based upon a new funding formula.

The School District's emergency operating levy generates approximately \$1,455,000 each year. A renewal of the existing emergency operating levy was passed in November, 2012. Even with the passage of this renewal, the School District's most recent Board-approved five year financial forecast reflects deficit cash balances beginning in fiscal year 2018.

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 Position

June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,952,054
Cash and Cash Equivalents in Segregated Accounts	5,162
Cash and Cash Equivalents with Fiscal Agents	1,673,754
Investments	28,595
Inventory Held for Resale	13,191
Materials and Supplies Inventory	66,175
Accounts Receivable	239,855
Intergovernmental Receivable	321,764
Prepaid Items	179,407
Property Taxes Receivable	7,447,124
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>31,592,556</u>
<i>Total Assets</i>	<u>52,550,976</u>
Deferred Outflows of Resources	
Pension	<u>1,926,962</u>
Liabilities	
Accounts Payable	209,088
Accrued Wages and Benefits Payable	1,807,740
Matured Compensated Absences Payable	2,558
Intergovernmental Payable	522,862
Accrued Interest Payable	16,452
Claims Payable	312,423
Long-Term Liabilities:	
Due Within One Year	578,793
Due In More Than One Year:	
Net Pension Liability (See Note 11)	26,513,668
Other Amounts Due In More Than One Year	<u>6,224,647</u>
<i>Total Liabilities</i>	<u>36,188,231</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	3,995,037
Pension	<u>4,809,955</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,804,992</u>
Net Position	
Net Investment in Capital Assets	31,312,643
Restricted for:	
Debt Service	2,043,309
Capital Projects	190,187
Food Service	402,462
Classroom Facilities Maintenance	605,413
State Programs	59,014
Federal Programs	41,771
Music Supplies:	
Non-Expendable	500
Expendable	2,031
Other Purposes	106,224
Unrestricted (Deficit)	<u>(25,278,839)</u>
<i>Total Net Position</i>	<u><u>\$9,484,715</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$10,989,786	\$659,016	\$214,111	\$0	(\$10,116,659)
Special	3,979,642	28,842	2,655,061	0	(1,295,739)
Vocational	64,440	0	126,319	0	61,879
Student Intervention Services	44,958	0	3,474	0	(41,484)
Support Services:					
Pupils	1,505,898	0	265,557	0	(1,240,341)
Instructional Staff	337,589	0	240,763	0	(96,826)
Board of Education	86,391	0	0	0	(86,391)
Administration	1,451,486	0	193,986	0	(1,257,500)
Fiscal	540,021	0	120,505	0	(419,516)
Business	23,221	0	0	0	(23,221)
Operation and Maintenance of Plant	2,248,692	20,700	120,970	17,925	(2,089,097)
Pupil Transportation	1,213,477	0	102,516	0	(1,110,961)
Central	415,462	0	24,019	0	(391,443)
Operation of Non-Instructional Services:					
Food Service Operations	930,326	156,831	696,536	0	(76,959)
Other Non-Instructional Services	84,873	0	91,655	0	6,782
Extracurricular Activities	619,015	191,667	777	0	(426,571)
Interest and Fiscal Charges	215,907	0	0	0	(215,907)
Totals	\$24,751,184	\$1,057,056	\$4,856,249	\$17,925	(18,819,954)
General Revenues					
Property Taxes Levied For:					
					5,438,179
					391,479
					79,578
Grants and Entitlements not					
					13,235,592
Interest					
					25,079
Gain on Sale of Capital Assets					
					15,669
Miscellaneous					
					255,185
<i>Total General Revenues</i>					
					19,440,761
<i>Change in Net Position</i>					
					620,807
<i>Net Position Beginning of Year - Restated (See Note 21)</i>					
					8,863,908
<i>Net Position End of Year</i>					
					\$9,484,715

See accompanying notes to the basic financial statements

Cambridge City School District

Balance Sheet

Governmental Funds

June 30, 2015

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,626,746	\$1,869,342	\$1,753,850	\$5,249,938
Cash and Cash Equivalents in Segregated Accounts	0	0	5,162	5,162
Investments	28,595	0	0	28,595
Receivables:				
Property Taxes	6,840,305	506,851	99,968	7,447,124
Accounts	22,068	0	7,261	29,329
Intergovernmental	37,108	0	284,656	321,764
Interfund Receivable	8,759	0	0	8,759
Prepaid Items	178,689	0	718	179,407
Inventory Held for Resale	0	0	13,191	13,191
Materials and Supplies Inventory	62,631	0	3,544	66,175
<i>Total Assets</i>	<u>\$8,804,901</u>	<u>\$2,376,193</u>	<u>\$2,168,350</u>	<u>\$13,349,444</u>
Liabilities				
Accounts Payable	154,192	0	54,896	209,088
Accrued Wages and Benefits Payable	1,560,121	0	247,619	1,807,740
Interfund Payable	0	0	8,759	8,759
Intergovernmental Payable	453,623	0	69,239	522,862
Matured Compensated Absences Payable	2,558	0	0	2,558
<i>Total Liabilities</i>	<u>2,170,494</u>	<u>0</u>	<u>380,513</u>	<u>2,551,007</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	3,667,072	274,419	53,546	3,995,037
Unavailable Revenue	1,398,646	101,616	174,826	1,675,088
<i>Total Deferred Inflows of Resources</i>	<u>5,065,718</u>	<u>376,035</u>	<u>228,372</u>	<u>5,670,125</u>
Fund Balances				
Nonspendable:				
Inventories	62,631	0	3,544	66,175
Prepaid Items	178,689	0	718	179,407
Music Supplies	0	0	500	500
Restricted for:				
Debt Service	0	2,000,158	0	2,000,158
Capital Projects	0	0	305,587	305,587
Food Service Operations	0	0	440,027	440,027
Federal Grant Expenditures	0	0	13,094	13,094
Music Supplies	0	0	2,031	2,031
Classroom Facilities Maintenance	0	0	585,425	585,425
Other Purposes	0	0	106,819	106,819
Committed to:				
Encumbrances	126,709	0	0	126,709
Scholarships	0	0	48,508	48,508
Assigned to:				
Purchases on Order	389,916	0	0	389,916
Subsequent Years' Appropriations	10,222	0	0	10,222
Capital Projects	0	0	53,728	53,728
Other Purposes	42,171	0	0	42,171
Unassigned (Deficit)	758,351	0	(516)	757,835
<i>Total Fund Balances</i>	<u>1,568,689</u>	<u>2,000,158</u>	<u>1,559,465</u>	<u>5,128,312</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$8,804,901</u>	<u>\$2,376,193</u>	<u>\$2,168,350</u>	<u>\$13,349,444</u>

See accompanying notes to the basic financial statements

Cambridge City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Fund Balances \$5,128,312

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

Capital assets used in governmental activities are not financial resources
 and therefore are not reported in the funds. 36,623,895

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

Delinquent Property Taxes	1,491,049	
Grants	149,135	
Customer Sales and Services	7,261	
Tuition and Fees	18,731	
Extracurricular Activities	1,280	
Miscellaneous Revenue	5,121	
Pupil Transportation	2,511	
Total		1,675,088

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. (16,452)

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

General Obligation Bonds - Serial	(4,335,000)	
General Obligation Bonds Premium	(35,632)	
Energy Conservation Improvement Bonds - Serial	(210,000)	
Energy Conservation Improvement Bonds - Term	(805,000)	
Energy Conservation Improvement Bonds - Capital Appreciation	(41,020)	
Accretion on Capital Appreciation Bonds	(3,483)	
Energy Conservation Improvement Bonds Premium	(42,013)	
Energy USA Contract Buyout	(29,716)	
Compensated Absences Payable	(1,301,576)	
Total		(6,803,440)

The net pension liability is not due and payable in the current period and
 therefore the liability and related deferred inflows/outflows are not reported
 in governmental funds:

Deferred Outflows - Pension	1,926,962	
Deferred Inflows - Pension	(4,809,955)	
Net Pension Liability	(26,513,668)	
Total		(29,396,661)

An internal service fund is used by management to charge to costs
 of insurance to individual funds. The assets and liabilities of the
 internal service fund are included in governmental activities in the
 statement of net position. 2,273,973

Net Position of Governmental Activities \$9,484,715

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, 2015

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$5,721,568	\$418,753	\$83,780	\$6,224,101
Intergovernmental	14,983,763	119,942	2,978,978	18,082,683
Interest	16,132	0	940	17,072
Tuition and Fees	678,468	0	0	678,468
Rent	20,700	0	9,900	30,600
Extracurricular Activities	55,561	0	137,684	193,245
Gifts and Donations	8,290	0	3,063	11,353
Customer Sales and Services	0	0	155,086	155,086
Miscellaneous	226,622	0	1,634	228,256
<i>Total Revenues</i>	<u>21,711,104</u>	<u>538,695</u>	<u>3,371,065</u>	<u>25,620,864</u>
Expenditures				
Current:				
Instruction:				
Regular	10,909,775	0	179,072	11,088,847
Special	2,909,416	0	1,098,510	4,007,926
Vocational	72,809	0	0	72,809
Student Intervention Services	39,544	0	3,611	43,155
Support Services:				
Pupils	1,324,905	0	253,317	1,578,222
Instructional Staff	91,239	0	259,443	350,682
Board of Education	83,432	0	0	83,432
Administration	1,331,787	0	179,203	1,510,990
Fiscal	514,256	13,472	2,630	530,358
Business	21,671	0	0	21,671
Operation and Maintenance of Plant	1,987,522	0	414,043	2,401,565
Pupil Transportation	1,146,404	0	99,033	1,245,437
Central	358,293	0	50,550	408,843
Operation of Non-Instructional Services:				
Food Service Operations	0	0	877,823	877,823
Other Non-Instructional Services	0	0	83,503	83,503
Extracurricular Activities	416,068	0	140,427	556,495
Capital Outlay	0	0	1,027,137	1,027,137
Debt Service:				
Principal Retirement	0	155,000	0	155,000
Interest and Fiscal Charges	0	194,700	0	194,700
Capital Appreciation Bonds Interest	0	405,000	0	405,000
Issuance Costs	0	0	42,155	42,155
<i>Total Expenditures</i>	<u>21,207,121</u>	<u>768,172</u>	<u>4,710,457</u>	<u>26,685,750</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>503,983</u>	<u>(229,477)</u>	<u>(1,339,392)</u>	<u>(1,064,886)</u>
Other Financing Sources (Use)				
Transfers In	0	61,162	42,155	103,317
Energy Conservation Improvement Bonds Issued	0	0	1,146,020	1,146,020
Premium on Energy Conservation Improvement Bonds	0	45,013	0	45,013
Insurance Recoveries	0	0	40,500	40,500
Transfers Out	(103,317)	0	0	(103,317)
<i>Total Other Financing Sources (Use)</i>	<u>(103,317)</u>	<u>106,175</u>	<u>1,228,675</u>	<u>1,231,533</u>
<i>Net Change in Fund Balances</i>	400,666	(123,302)	(110,717)	166,647
<i>Fund Balances Beginning of Year</i>	<u>1,168,023</u>	<u>2,123,460</u>	<u>1,670,182</u>	<u>4,961,665</u>
<i>Fund Balances End of Year</i>	<u>\$1,568,689</u>	<u>\$2,000,158</u>	<u>\$1,559,465</u>	<u>\$5,128,312</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, 2015*

Net Change in Fund Balances - Total Governmental Funds \$166,647

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	1,280,513	
Depreciation Expense	<u>(1,289,307)</u>	
Total		(8,794)

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

Proceeds from Sale of Capital Assets	(40,500)	
Gain on Disposal of Capital Assets	<u>15,669</u>	
Total		(24,831)

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

Property Taxes	(314,865)	
Intergovernmental	(21,840)	
Tuition and Fees	(510)	
Extracurricular Activities	(1,578)	
Charges for services	1,745	
Miscellaneous Revenue	(40,064)	
Pupil Transportation	<u>2,511</u>	
Total		(374,601)

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

General Obligation Bonds	65,000	
Energy Conservation Improvement Bonds	90,000	
Capital Appreciation Bond Interest	<u>405,000</u>	
Total		560,000

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

Accrued Interest	(2,071)	
Accretion of Interest	(50,803)	
Amortization of Energy Conservation Improvement Bond Premium	3,000	
Amortization of Capital Appreciation Bond Premium	23,867	
Amortization of Serial Bond Premium	<u>4,800</u>	
Total		(21,207)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position:

Proceeds of Energy Conservation Improvement Bonds	(1,146,020)	
Bond Premium	<u>(45,013)</u>	
Total		(1,191,033)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	118,597	
Energy USA Buyout Contract	<u>14,859</u>	
Total		133,456

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,676,389

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,107,561)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change in net position of the internal service fund is reported with governmental activities. 812,342

Change in Net Position of Governmental Activities \$620,807

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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,497,000	\$5,497,000	\$5,648,854	\$151,854
Intergovernmental	15,493,350	15,493,350	14,978,942	(514,408)
Interest	9,600	9,600	11,853	2,253
Tuition and Fees	683,000	683,000	679,024	(3,976)
Rent	16,000	16,000	20,700	4,700
Extracurricular Activities	59,000	59,000	55,561	(3,439)
Gifts and Donations	0	0	8,290	8,290
Miscellaneous	115,000	118,200	229,722	111,522
<i>Total Revenues</i>	21,872,950	21,876,150	21,632,946	(243,204)
Expenditures				
Current:				
Instruction:				
Regular	11,671,613	11,614,213	11,136,755	477,458
Special	2,632,316	2,799,316	2,933,311	(133,995)
Vocational	165,503	165,503	136,795	28,708
Adult/Continuing	16,500	16,500	0	16,500
Student Intervention Services	24,300	24,300	47,380	(23,080)
Support Services:				
Pupils	1,417,521	1,417,521	1,394,241	23,280
Instructional Staff	92,676	92,676	91,548	1,128
Board of Education	113,612	113,612	95,525	18,087
Administration	1,454,584	1,458,784	1,379,151	79,633
Fiscal	569,096	611,416	616,244	(4,828)
Business	10,838	10,838	26,705	(15,867)
Operation and Maintenance of Plant	2,231,553	2,231,553	2,291,968	(60,415)
Pupil Transportation	1,327,682	1,312,682	1,227,938	84,744
Central	339,224	339,224	392,158	(52,934)
Operation of Non-Instructional Services	500	500	0	500
Extracurricular Activities	430,685	433,885	413,560	20,325
<i>Total Expenditures</i>	22,498,203	22,642,523	22,183,279	459,244
<i>Excess of Revenues Over (Under) Expenditures</i>	(625,253)	(766,373)	(550,333)	216,040
Other Financing Uses				
Transfers Out	0	0	(103,317)	(103,317)
Other Financing Uses	(300,000)	(158,880)	0	158,880
<i>Total Other Financing Uses</i>	(300,000)	(158,880)	(103,317)	55,563
<i>Net Change in Fund Balance</i>	(925,253)	(925,253)	(653,650)	271,603
<i>Fund Balance Beginning of Year</i>	1,132,678	1,132,678	1,132,678	0
Prior Year Encumbrances Appropriated	531,255	531,255	531,255	0
<i>Fund Balance End of Year</i>	\$738,680	\$738,680	\$1,010,283	\$271,603

See accompanying notes to the basic financial statements

Cambridge City School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2015

	Governmental Activity Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$702,116
Cash and Cash Equivalents with Fiscal Agents	1,673,754
Accounts Receivable	<u>210,526</u>
<i>Total Assets</i>	2,586,396
Current Liabilities	
Claims Payable	<u>312,423</u>
Net Position	
Unrestricted	<u><u>\$2,273,973</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activity Internal Service Fund
Operating Revenues	
Charges for Services	\$4,493,553
Other Revenues	66,993
<i>Total Operating Revenues</i>	<i>4,560,546</i>
Operating Expenses	
Purchased Services	1,036,284
Claims	2,720,787
<i>Total Operating Expenses</i>	<i>3,757,071</i>
<i>Operating Income</i>	<i>803,475</i>
Non-Operating Revenues	
Interest	8,867
<i>Net Change in Net Position</i>	<i>812,342</i>
<i>Net Position Beginning of Year</i>	<i>1,461,631</i>
<i>Net Position End of Year</i>	<i>\$2,273,973</i>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activity Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$4,493,553
Cash Received from Other Operating Sources	66,993
Cash Payments for Goods and Services	(1,036,284)
Cash Payments for Claims	(2,908,498)
	615,764
Cash Flows from Investing Activities	
Interest	8,867
	624,631
<i>Net Increase in Cash and Cash Equivalents</i>	624,631
<i>Cash and Cash Equivalents Beginning of Year</i>	1,751,239
	\$2,375,870
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$803,475
Changes in Liabilities:	
Increase in Accounts Receivable	(183,545)
Increase in Claims Payable	(4,166)
	\$615,764

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$458,644	\$35,915
Cash and Cash Equivalents in Segregated Accounts	<u>36,862</u>	<u>0</u>
<i>Total Assets</i>	<u>495,506</u>	<u><u>\$35,915</u></u>
Liabilities		
Due to Students	<u>0</u>	<u><u>\$35,915</u></u>
Net Position		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	<u>161,791</u>	
Total Net Position	<u><u>\$495,506</u></u>	

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$41,229
Interest	7,173
<i>Total Additions</i>	48,402
Deductions	
Payments in Accordance with Trust Agreements	21,935
<i>Change in Net Position</i>	26,467
<i>Net Position Beginning of Year</i>	469,039
<i>Net Position End of Year</i>	\$495,506

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, 2015

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and three support facilities staffed by 119 classified employees and 165 certified personnel, who provide services to 2,299 students and other community members.

Reporting Entity

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, the Metropolitan Educational Technology Association (META), and Ohio Coalition for Equity and Adequacy of School Funding which are jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), the Ohio School Plan (OSP), and the Jefferson Health Plan Self-Insurance Plan which are defined insurance purchasing pools. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

C. Measurement Focus

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, miscellaneous accounts receivable, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2015, investments were limited to common stock and negotiable certificates of deposit. Investments in common stock are stated at fair value. Investments in negotiable certificates of deposit are reported at fair value based on quoted market prices.

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 2015 amounted to \$16,132, which includes \$11,902 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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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 position but are not reported on the fund financial statements.

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

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

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

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

I. Interfund Balances

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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. For fiscal year 2015, there are no amounts on the financial statements that meet the definition of a restricted asset.

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Pensions

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

N. 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.

O. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in the 2016’s appropriated budget.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

P. Bond Premiums and Discounts

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

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

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

Q. Net Position

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

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

R. 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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

S. 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.

T. 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.

U. Budgetary Process

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

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

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

Note 3 - Accountability and Compliance

A. Accountability

The following special revenue funds had deficit fund balances as of June 30, 2015:

	<u>Amount</u>
Miscellaneous State Grants	\$7
Miscellaneous Federal Grants	464

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

B. Compliance

The Athletic and Music Special Revenue Fund had expenditures plus encumbrances exceeding appropriations in the amount of \$1,002 contrary to § 5705.41, Revised Code.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Note 4 - Budgetary Basis of Accounting

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

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance

	General
GAAP Basis	\$400,666
Revenue Accruals	(73,879)
Fiscal Year 2014 Market Value Adjustment	22,578
Fiscal Year 2015 Market Value Adjustment	(26,857)
Fiscal Year 2014 Prepaid Items	162,464
Fiscal Year 2015 Prepaid Items	(178,689)
Expenditure Accruals	(332,973)
Encumbrances	(626,960)
Budget Basis	(\$653,650)

Note 5 - Deposits and Investments

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

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

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

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
For the Fiscal Year Ended June 30, 2015

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

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

At June 30, 2015, the School District's Internal Service Fund had a balance of \$1,673,754 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (see Note 15). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained by the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

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, \$474,085 of the School District's bank balance of \$7,122,101, including the payroll account balance of \$73,081, 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, 2015, 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	\$28,595	N/A	Not Rated	100.00%

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The amount available as an advance, and recognized as revenue at June 30, 2015, was \$1,803,788 in the General Fund, \$26,434 in the Classroom Facilities Maintenance Special Revenue Fund, and \$130,816 in the Bond Retirement Debt Service Fund. At June 30, 2014, \$1,731,074 was available as an advance in the General Fund, \$25,323 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$132,556 was available in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$202,600,960	89.98%	\$201,716,590	89.48%
Public Utility Personal	22,573,690	10.02%	23,725,750	10.52%
Total	\$225,174,650	100.00%	\$225,442,340	100.00%
Tax Rate per \$1,000 of assessed valuation	\$37.35		\$37.25	

The decrease in millage from the prior year is due a decrease in the tax rate of the Bond Retirement Debt Service Fund. The County Auditor reviews the balance in this fund and adjusts the millage so that the balance is not excessive as compared to the future debt service requirements.

Note 7 - Receivables

Receivables at June 30, 2015 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 \$1,491,049 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Governmental Activities:	
Retirement Overpayments	\$3,328
Board of Developmental Disabilities Grant	18,195
Early Childhood Grant	59,231
IDEA Part B Grant	100,450
Title I Grants	93,533
Title VI-B Rural Grant	15,038
Title II-A Grant	16,404
Medicaid Reimbursements	13,074
Miscellaneous Accounts Receivable	2,511
	\$321,764

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 15) The types and amounts of coverage are as follows:

General Liability - no deductible	
Bodily Injury, Property Damage, and	
Sexual Abuse - each occurrence	\$5,000,000
Personal and Advertising Injury - each occurrence	\$5,000,000
General Aggregate Limit	\$7,000,000
Products - Completed Operations	\$5,000,000
Fire Damage, Loss of Electronic Data, Medical	
Expense	\$10,000-\$500,000
Employers' Liability - no deductible	
Bodily Injury by Accident	\$5,000,000
Bodily Injury by Disease	\$5,000,000
Fiduciary Liability - \$2,500 deductible	
Each Fiduciary Limit	\$5,000,000
Aggregate Limit	\$7,000,000
Legal Liability - \$2,500 deductible	
Errors and Omissions	\$5,000,000
Aggregate Limit	\$7,000,000
Employment Practices	\$5,000,000
Aggregate Limit	\$7,000,000
Violence Coverage	
Plan Limit	\$1,000,000
Aggregate Limit	\$1,000,000
Automobile Coverage	
Bodily Injury and Property Damage	\$5,000,000
Uninsured/Underinsured Motorists	\$1,000,000
Medical Payments	\$5,000
Comprehensive - \$1,000 deductible	Actual Cash Value
Collision - \$1,000 deductible	Actual Cash Value
Garagekeepers - \$250/\$500 deductible	\$100,000
Property Damage	
Property Coverage - \$1,000 deductible	\$95,530,466
Flood, Earthquake, and Extra Expense Coverage	\$1,000,000
Business Interruption and Rental Income	\$250,000
Boiler and Machinery Breakdown - \$1,000 deductible	\$95,530,466
Crime Coverage - \$1,000 deductible	
Employee Theft, Forgery, Computer Fraud	\$100,000
Funds Transfer and Theft	\$25,000
<u>W.B. Green & Co., Inc.</u>	
Treasurer Bond Insurance	\$50,000
Blanket Bond Insurance covering	
all employees - \$500 deductible	\$25,000

Cambridge City School District
Notes to the Basic Financial Statements
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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

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

All employees were covered for medical/surgical, prescription drug, and dental coverage through the Jefferson Health Plan self-insured plan. The Board pays 86.5 percent (for certified) and 87 percent (for classified and administration) 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 \$800.16 for single coverage and \$1,836.38 for family coverage on medical/surgical and prescription drug coverage. The total monthly cost of the premiums for dental coverage is \$37.19 for single and \$85.46 for family coverage.

The claims liability of \$312,423 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$354,449	\$2,782,567	\$2,820,427	\$316,589
2015	316,589	2,904,332 (1)	2,908,498	312,423
		\$2,720,787		
		183,545		
		<u>\$2,904,332</u>		

(1) Claims Expense
 Net Increase in Stop Loss Receivable
 Current Year Claims

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Benefits

A. Compensated Absences

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

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

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

B. Life Insurance

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Cambridge City School District
Notes to the Basic Financial Statements
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	Balance 06/30/2014	Additions	Reductions	Balance 06/30/2015
Governmental Activities:				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	5,031,339	0	0	5,031,339
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,353,896	65,395	(88,203)	42,331,088
Furniture and Fixtures	571,101	0	0	571,101
Machinery and Equipment	1,394,926	1,205,954	0	2,600,880
Vehicles	1,596,222	9,164	0	1,605,386
Total capital assets being depreciated	46,572,201	1,280,513	(88,203)	47,764,511
Accumulated depreciation				
Land Improvements	(339,877)	(32,803)	0	(372,680)
Buildings and Improvements	(12,135,643)	(1,048,466)	63,372	(13,120,737)
Furniture and Fixtures	(239,286)	(27,343)	0	(266,629)
Machinery and Equipment	(1,063,473)	(124,770)	0	(1,188,243)
Vehicles	(1,167,741)	(55,925)	0	(1,223,666)
Total accumulated depreciation	(14,946,020)	(1,289,307) *	63,372	(16,171,955)
Capital assets being depreciated, net	31,626,181	(8,794)	(24,831)	31,592,556
Governmental Activities capital assets, net	\$36,657,520	(\$8,794)	(\$24,831)	\$36,623,895

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$512,341
Special	191,470
Vocational	7,113
Intervention	1,803
Support Services:	
Pupils	80,294
Instructional Staff	19,980
Board of Education	4,545
Administration	73,837
Fiscal	30,060
Business	1,550
Operation and Maintenance of Plant	123,250
Pupil Transportation	57,680
Central	26,391
Extracurricular Activities	62,520
Operation of Non-Instructional Services	3,299
Food Service Operations	93,174
Total Depreciation Expense	<u>\$1,289,307</u>

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Cambridge City School District
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For the Fiscal Year Ended June 30, 2015

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$331,045 for fiscal year 2015. Of this amount \$29,546 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The School District's contractually required contribution to STRS was \$1,345,344 for fiscal year 2015. Of this amount, \$171,356 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,192,485	\$22,321,183	\$26,513,668
Proportion of the Net Pension Liability	0.082840%	0.09176812%	
Pension Expense	\$242,970	\$864,591	\$1,107,561

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$35,683	\$214,890	\$250,573
School District contributions subsequent to the measurement date	331,045	1,345,344	1,676,389
Total Deferred Outflows of Resources	<u>\$366,728</u>	<u>\$1,560,234</u>	<u>\$1,926,962</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$680,452</u>	<u>\$4,129,503</u>	<u>\$4,809,955</u>

\$1,676,389 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$161,102)	(\$978,654)	(\$1,139,756)
2017	(161,102)	(978,654)	(1,139,756)
2018	(161,102)	(978,654)	(1,139,756)
2019	(161,463)	(978,651)	(1,140,114)
Total	<u>(\$644,769)</u>	<u>(\$3,914,613)</u>	<u>(\$4,559,382)</u>

Cambridge City School District
Notes to the Basic Financial Statements
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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Cambridge City School District
Notes to the Basic Financial Statements
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,981,431	\$4,192,485	\$2,687,828

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Cambridge City School District
Notes to the Basic Financial Statements
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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$31,955,207	\$22,321,183	\$14,174,040

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 12 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with § 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code § 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$40,743.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$65,961, \$43,960, and \$42,799, respectively. For fiscal year 2015, 29.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$95,571, and \$94,231, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Long-Term Obligations

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

	Outstanding 06/30/14	Additions	Reductions	Outstanding 6/30/15	Due in One Year
2005 Classroom Facilities					
Refunding General Obligation Bonds:					
Serial Bonds - 3.25%-5.5%	\$4,335,000	\$0	\$0	\$4,335,000	\$470,000
Original Issue of Capital Appreciation					
Bonds - 22.66%-23.63%	65,000	0	65,000	0	0
Accretion on Capital Appreciation Bonds	357,680	47,320	405,000	0	0
Premium on Capital Appreciation Bonds	23,867	0	23,867	0	0
Premium on Serial Bonds	40,432	0	4,800	35,632	0
Total 2005 Bonds	<u>4,821,979</u>	<u>47,320</u>	<u>498,667</u>	<u>4,370,632</u>	<u>470,000</u>
2014 Energy Conservation Improvement Bonds:					
Serial Bonds - \$300,000 - 1.00%-1.50%	0	300,000	90,000	210,000	70,000
Term Bonds - \$805,000 - 1.75%-2.90%	0	805,000	0	805,000	0
Original Issue of Capital Appreciation					
Bonds - \$41,020 - 13.385%	0	41,020	0	41,020	0
Accretion on Capital Appreciation Bonds	0	3,483	0	3,483	0
Bond Premium	0	45,013	3,000	42,013	0
Total 2014 Energy Conservation Improvemen	<u>0</u>	<u>1,194,516</u>	<u>93,000</u>	<u>1,101,516</u>	<u>70,000</u>
Net Pension Liability:					
STRS	26,588,847	0	4,267,664	22,321,183	0
SERS	4,926,229	0	733,744	4,192,485	0
Total Net Pension Liability	<u>31,515,076</u>	<u>0</u>	<u>5,001,408</u>	<u>26,513,668</u>	<u>0</u>
Energy USA Contract Buyout	<u>44,575</u>	<u>0</u>	<u>14,859</u>	<u>29,716</u>	<u>14,859</u>
Compensated Absences	<u>1,420,173</u>	<u>132,268</u>	<u>250,865</u>	<u>1,301,576</u>	<u>23,934</u>
Total Long-Term Liabilities	<u>\$37,801,803</u>	<u>\$1,374,104</u>	<u>\$5,858,799</u>	<u>\$33,317,108</u>	<u>\$578,793</u>

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$23,867 was amortized in fiscal year 2015. The capital appreciation bonds matured in fiscal year 2015. The total maturity amount of the bonds is \$470,000. For the fiscal year 2015, \$47,320 was accreted, and \$470,000 was paid to bond holders, fully retiring these bonds.

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	Serial	
Ending	Principal	Interest
2016	\$470,000	\$169,125
2017	485,000	149,119
2018	505,000	128,381
2019	530,000	105,725
2020	555,000	82,700
2021-2023	1,790,000	109,200
	<u>\$4,335,000</u>	<u>\$744,250</u>

On October 16, 2014, the School District issued \$1,146,020 of general obligation school improvement bonds in accordance with House Bill 264. The bonds were issued to finance energy conservation projects and consisted of \$300,000 in serial bonds, \$805,000 in term bonds, and \$41,020 in capital appreciation bonds. The bonds were issued for a period of fifteen years with final maturity at December 1, 2028. The bonds were issued with a premium of \$45,013 which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$3,000. These bonds are being retired from the Bond Retirement Debt Service Fund with General Fund savings from the energy conservation measures.

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

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

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

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

The capital appreciation bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the outstanding capital appreciation bonds is \$70,000. The 2015 accretion was \$3,483 leaving a total capital appreciation bond liability of \$44,503.

Principal and interest requirements to retire the remaining outstanding 2014 Energy Conservation School Improvement Bonds at June 30, 2015, are as follows:

<u>Fiscal Year Ending</u>	<u>Serial</u>		<u>Capital Appreciation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$70,000	\$25,350	\$0	\$0
2017	70,000	24,475	0	0
2018	70,000	23,425	0	0
2019	0	0	41,020	28,980
	<u>\$210,000</u>	<u>\$73,250</u>	<u>\$41,020</u>	<u>\$28,980</u>

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

The School District pays obligations related to employee compensation from the fund benefitting from their service.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

For more information on the net pension liability, see Note 11.

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

The overall debt margin of the School District as of June 30, 2015, was \$16,883,167, with an unvoted debt margin of \$225,267.

Note 14 - Jointly Governed Organizations

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

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The board exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs.

During fiscal year 2015, the amount paid to OME-RESA from the School District was \$56,774 for cooperative purchasing, technology, internet access, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The board exercised total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2015, 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.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

C. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$953 to META during fiscal year 2015 for services. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

D. Ohio Coalition for Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During 2015, the School District paid \$1,142 for membership fees to the Coalition.

Note 15 - Risk Sharing, Claims Servicing, and Insurance Purchasing Pools

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

B. Ohio School Plan

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

C. The Jefferson Health Plan Self-Insurance Plan

The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Foundation

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

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

Note 17 - Set-Asides

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

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	380,376
Current Year Offsets	(503,163)
Current Year Qualifying Disbursements	(313,465)
Total	(\$436,252)
Set-aside Reserve Balance as of June 30, 2015	\$0

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-asides below zero, which may not be carried forward to future fiscal years.

Note 18 - Internal Balances and Transfers

A. Interfund Balances

The governmental balance sheet reflects interfund receivables and payables in the amount of \$8,759. This is the result of cash deficit balances in the Idea Part B Federal Grant and Miscellaneous State Grants Special Revenue Funds in the amounts of \$8,543 and \$216, respectively, which were covered by cash advances from the General Fund.

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

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	Transfer to			
	Major Fund		Other	
	Bond	Nonmajor		
Transfer from	Retirement	Governmental	Totals	
General Fund	\$61,162	\$42,155	\$103,317	

Transfers from the General Fund in the amount of \$61,162 were used to provide revenue to the Bond Retirement Debt Service Fund for debt service payments on the House Bill 264 Energy Conservation Bonds. Transfers from the General Fund in the amount of \$42,155 to the House Bill 264 Building Capital Projects Fund were used to provide revenue in order to pay for issuance costs associated with the bond issue.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 - 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 \$161,791 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 20 - Significant Commitments

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

Governmental Funds	Encumbrances
General Fund	\$626,960
Nonmajor Governmental Funds	458,470
Total Governmental Funds	\$1,085,430

Note 21 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68”. GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$38,829,397
Adjustments:	
Net Pension Liability	(31,515,076)
Deferred Outflow - Payments Subsequent to Measurement Date	1,549,587
Restated Net Position June 30, 2014	\$8,863,908

Note 22 - Subsequent Events

On September 10, 2015, the School District issued \$3,864,999 in General Obligation Classroom Facilities Refunding Bonds. These bonds were issued to refund the 2005 General Obligation Classroom Facilities Refunding Bonds. The 2015 bonds were issued with an interest rate of 2 percent with the exception of the bonds maturing in 2021 which carry an interest rate of 3 percent. The bond issue will mature on December 1, 2022.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

On August 25, 2015, the School District ratified the collective bargaining agreement with the Cambridge Education Association. The agreement called for a change to the medical insurance plan design which greatly reduced the current premium rates by 24.65 percent. In return, the School District gave the employees a Health Savings Account with board contributions and also received salary schedule steps for the next two fiscal years.

On September 22, 2015, the School District ratified the collective bargaining agreement with the OAPSE/AFSCME Local 4/AFL-CIO and its Local #132. The agreement called for a change to the medical insurance plan design which greatly reduced the current premium rates by 24.65 percent. In return, the School District gave the employees a Health Savings Account with board contributions and also received a base salary increase in the final fiscal year of the contract.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.082840%	0.082840%
School District's Proportionate Share of the Net Pension Liability	\$4,192,485	\$4,926,229
School District's Covered-Employee Payroll	\$2,394,986	\$2,456,580
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	175.05%	200.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.0917681%	0.0917681%
School District's Proportionate Share of the Net Pension Liability	\$22,321,183	\$26,588,847
School District's Covered-Employee Payroll	\$9,366,479	\$9,809,323
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.31%	271.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$331,045	\$331,945	\$339,991	\$324,874
Contributions in Relation to the Contractually Required Contribution	<u>(331,045)</u>	<u>(331,945)</u>	<u>(339,991)</u>	<u>(324,874)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,511,721	\$2,394,986	\$2,456,580	\$2,415,417
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$326,176	\$340,619	\$250,038	\$216,102	\$259,047	\$270,623
(326,176)	(340,619)	(250,038)	(216,102)	(259,047)	(270,623)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,594,874	\$2,515,647	\$2,541,034	\$2,200,633	\$2,425,534	\$2,557,873
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,345,344	\$1,217,642	\$1,275,212	\$1,278,167
Contributions in Relation to the Contractually Required Contribution	<u>(1,345,344)</u>	<u>(1,217,642)</u>	<u>(1,275,212)</u>	<u>(1,278,167)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$9,609,600	\$9,366,479	\$9,809,323	\$9,832,054
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,325,067	\$1,415,009	\$1,352,246	\$1,248,772	\$1,365,966	\$1,336,356
<u>(1,325,067)</u>	<u>(1,415,009)</u>	<u>(1,352,246)</u>	<u>(1,248,772)</u>	<u>(1,365,966)</u>	<u>(1,336,356)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,192,823	\$10,884,685	\$10,401,892	\$9,605,938	\$10,507,431	\$10,279,662
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Fiscal 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 Donation)	2014 / 2015	10.555	\$66,651	\$66,651
Cash Assistance:				
School Breakfast Program	2014 / 2015	10.553	192,943	192,943
National School Lunch Program	2014 / 2015	10.555	482,706	482,706
Cash Assistance Subtotal			<u>675,649</u>	<u>675,649</u>
Total Child Nutrition Cluster			<u>742,300</u>	<u>742,300</u>
Total U.S. Department of Agriculture			<u>742,300</u>	<u>742,300</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education.</i>				
Title I Grants to Local Educational Agencies:				
Title I Grants to Local Educational Agencies	2014	84.010	169,372	165,434
	2015		1,032,896	926,982
Title I Program for Neglected and Delinquent Children	2014		5,368	4,803
	2015		16,627	14,668
Title I Grants to Local Educational Agencies, School Improvement	2014		20,759	12,078
	2015		66,765	32,598
Total Title I Grants to Local Educational Agencies			<u>1,311,787</u>	<u>1,156,563</u>
Special Education Cluster:				
Special Education, Grants to States (IDEA, Part B)	2014	84.027	49,492	39,008
	2015		420,651	429,184
Total Special Education, Grants to States (IDEA, Part B)			<u>470,143</u>	<u>468,192</u>
Special Education - Preschool Grants	2015	84.173	25,172	25,172
Total Special Education (IDEA) Cluster			495,315	493,364
Rural and Low Income Education	2014	84.358	18,592	8,710
	2015		30,958	31,819
Total Rural and Low Income Education			<u>49,550</u>	<u>40,529</u>
Improving Teacher Quality State Grants	2014	84.367	32,923	28,963
	2015		178,556	161,881
Total Improving Teacher Quality State Grants			<u>211,479</u>	<u>190,844</u>
Total U.S. Department of Education			<u>2,068,131</u>	<u>1,881,300</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$2,810,431</u></u>	<u><u>\$2,623,600</u></u>

The accompanying notes are an integral part of this schedule.

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 22, 2016. We noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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
Columbus, Ohio

March 22, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Cambridge City School District's, Guernsey County, Ohio (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Cambridge City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Cambridge City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2016

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> • Child Nutrition Cluster – CFDA #10.553 and #10.555 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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CAMBRIDGE CITY SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2016**