



Dave Yost • Auditor of State



**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2017**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	21
Statement of Fund Net Position Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds.....	23
Statement of Cash Flows Proprietary Funds.....	24
Statement of Fiduciary Net Position Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Position Fiduciary Fund.....	26
Notes to the Basic Financial Statements.....	27

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2017**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management: (Continued)	
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio – Last Four Fiscal Years.....	67
State Teachers Retirement System of Ohio – Last Four Fiscal Years .....	68
Schedule of School District Contributions:	
School Employees Retirement System of Ohio – Last Ten Fiscal Years .....	70
State Teachers Retirement System of Ohio – Last Ten Fiscal Years .....	72
Notes to Required Supplementary Information .....	74
Schedule of Expenditures of Federal Awards .....	75
Notes to the Schedule of Expenditures of Federal Awards .....	76
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	77
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	79
Schedule of Findings.....	81



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2017, 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 Districts preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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 Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15 2018, 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 15, 2018

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**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
Unaudited

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The discussion and analysis of the Cambridge City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- Net position of governmental activities decreased \$1,243,858.
- General revenues accounted for \$20,001,880 in revenue or 76 percent of all revenues for governmental activities. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,424,448 or 24 percent of total revenues of \$26,426,328.
- Total assets decreased \$1,168,867. This decrease is a combination of a decrease in current and other assets and a decrease in capital assets.
- The School District had \$27,670,186 in expenses related to governmental activities; only \$6,424,448 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$20,001,880 were not adequate to provide for these programs.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 2017?" 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, 2017*  
Unaudited

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 12. 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, 2017*  
 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 2017 compared to 2016.

(Table 1)  
 Net Position

	Governmental Activities		
	2017	2016	Change
<b>Assets</b>			
Current and Other Assets	\$16,514,700	\$16,725,664	(\$210,964)
Capital Assets, Net	34,554,315	35,512,218	(957,903)
<i>Total Assets</i>	<u>51,069,015</u>	<u>52,237,882</u>	<u>(1,168,867)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	33,173	38,702	(5,529)
Pension	6,269,134	2,909,392	3,359,742
<i>Total Deferred Outflows of Resources</i>	<u>6,302,307</u>	<u>2,948,094</u>	<u>3,354,213</u>
<b>Liabilities</b>			
Current and Other Liabilities	2,388,971	2,907,941	(518,970)
Long-Term Liabilities			
Due Within One Year	648,587	656,602	(8,015)
Due in More Than One Year:			
Net Pension Liability	35,510,407	30,034,071	5,476,336
Other Amounts Due in More Than One Year	4,963,526	5,709,601	(746,075)
<i>Total Liabilities</i>	<u>43,511,491</u>	<u>39,308,215</u>	<u>4,203,276</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,262,189	3,845,678	416,511
Pension	850,582	2,041,165	(1,190,583)
<i>Total Deferred Inflows of Resources</i>	<u>5,112,771</u>	<u>5,886,843</u>	<u>(774,072)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	30,227,013	30,614,423	(387,410)
Restricted	3,259,760	3,470,804	(211,044)
Unrestricted (Deficit)	<u>(24,739,713)</u>	<u>(24,094,309)</u>	<u>(645,404)</u>
<i>Total Net Position</i>	<u>\$8,747,060</u>	<u>\$9,990,918</u>	<u>(\$1,243,858)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". 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.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
Unaudited

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. 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. GASB 68 requires the net pension liability to equal 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.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
Unaudited

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Total assets decreased \$1,168,867 resulting from decreases in current and other assets and in capital assets. Cash and cash equivalents decreased by \$1,035,980. Despite conservative spending efforts by the School District, revenues, primarily consisting of state foundation revenues and property taxes, were not sufficient to meet the increasing daily operating expenses. Offsetting this decrease in cash is an increase in intergovernmental receivables. Timing of federal grant requests results in fluctuations from year to year based on operational needs. In addition, foundation adjustments have increased from the prior year as the state continues to reconcile amounts owed to the School District at year end. A workers' compensation rebate also added to this increase in intergovernmental receivables. Capital assets decreased in the amount of \$957,903 as a result of depreciation exceeding capitalization of assets in the current period.

Current and other liabilities reflect a decrease of \$518,970. Accrued wages and benefits decreased in the amount of \$485,309. Based upon the current year payroll schedule, fewer days were accrued at year-end than in the prior period. Long-term liabilities, other than the net pension liability, decreased by \$754,090. This decrease is due to the School District continuing to retire its outstanding general obligation debt. The net pension liability increased by \$5,476,336 and reflects the School District's proportionate share of the retirement systems' collective unfunded benefits.

Total net position of the School District's governmental activities reflects a decrease of \$1,243,858. Net investment in capital assets decreased \$387,410, 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 decrease in restricted net position in the amount of \$211,044 is the result of pension related liabilities exceeding any changes in assets and liabilities described above. 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.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, compared to June 30, 2016.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
**Unaudited**

(Table 2)  
Changes in Net Position

	Governmental Activities		Change
	2017	2016	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,417,272	\$1,134,432	\$282,840
Operating Grants, Contributions, and Interest	4,907,042	5,055,758	(148,716)
Capital Grants and Contributions	100,134	98,222	1,912
Total Program Revenues	<u>6,424,448</u>	<u>6,288,412</u>	<u>136,036</u>
General Revenues			
Property Taxes	6,518,558	6,397,973	120,585
Grants and Entitlements	13,205,779	13,253,247	(47,468)
Interest	64,233	23,460	40,773
Gain on Sale of Capital Assets	7,600	0	7,600
Miscellaneous	205,710	226,421	(20,711)
Total General Revenues	<u>20,001,880</u>	<u>19,901,101</u>	<u>100,779</u>
Total Revenues	<u>26,426,328</u>	<u>26,189,513</u>	<u>236,815</u>
<b>Program Expenses</b>			
Instruction:			
Regular	12,438,134	11,436,996	1,001,138
Special	4,440,787	4,157,344	283,443
Vocational	104,562	162,207	(57,645)
Student Intervention Services	57,457	38,639	18,818
Support Services:			
Pupils	1,391,557	1,518,131	(126,574)
Instructional Staff	301,639	338,580	(36,941)
Board of Education	289,050	172,107	116,943
Administration	1,841,648	1,621,264	220,384
Fiscal	650,438	541,396	109,042
Business	53,163	43,982	9,181
Operation and Maintenance of Plant	2,414,403	2,251,178	163,225
Pupil Transportation	1,323,075	1,239,300	83,775
Central	442,075	417,981	24,094
Food Service Operations	1,107,697	923,046	184,651
Other Non-Instructional Services	102,270	102,948	(678)
Extracurricular Activities	626,030	625,795	235
Interest and Fiscal Charges	86,201	92,416	(6,215)
Total Expenses	<u>27,670,186</u>	<u>25,683,310</u>	<u>1,986,876</u>
Change in Net Position	(1,243,858)	506,203	(1,750,061)
Net Position Beginning of Year	9,990,918	9,484,715	506,203
Net Position End of Year	<u><u>\$8,747,060</u></u>	<u><u>\$9,990,918</u></u>	<u><u>(\$1,243,858)</u></u>

Property taxes made up approximately 33 percent of general revenues for governmental activities for the Cambridge City School District. Property taxes revenue increased by less than two percent or \$120,585. This minimal change is the result of consistent cash collections and amounts available as an advance. Of the remaining general revenues, the School District receives 66 percent from state foundation and unrestricted federal and state grants, and 1 percent from interest, gain on sale of capital assets, and miscellaneous receipts.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
 Unaudited

Instruction comprises approximately 62 percent of governmental program expenses and reflected a \$1,245,754 increase from fiscal year 2016. Overall, program expenses of the School District reflect approximately an eight percent increase, or \$1,986,876, with the largest increase being reflected in regular instruction. The majority of this change in regular instruction expense is related to GASB 68 accruals as compared to the prior year in this same function.

Enrollment plays a major role in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in the amount of \$669,076 as a result of a greater number of students leaving to attend other school districts as compared to incoming students from other school districts.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2017 compared to fiscal year 2016. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
<b>Program Expenses</b>				
Instruction:				
Regular	\$12,438,134	\$11,257,569	\$11,436,996	\$10,517,653
Special	4,440,787	1,453,550	4,157,344	1,157,836
Vocational	104,562	27,382	162,207	30,503
Student Intervention Services	57,457	57,457	38,639	38,639
Support Services:				
Pupils	1,391,557	1,239,180	1,518,131	1,320,794
Instructional Staff	301,639	84,768	338,580	99,628
Board of Education	289,050	289,050	172,107	172,107
Administration	1,841,648	1,633,427	1,621,264	1,419,397
Fiscal	650,438	544,359	541,396	426,777
Business	53,163	53,163	43,982	43,982
Operation and Maintenance of Plant	2,414,403	2,169,506	2,251,178	1,975,775
Pupil Transportation	1,323,075	1,323,075	1,239,300	1,239,300
Central	442,075	437,772	417,981	409,098
Food Service Operations	1,107,697	148,825	923,046	(18,054)
Other Non-Instructional Services	102,270	4,507	102,948	(2,612)
Extracurricular Activities	626,030	435,947	625,795	471,659
Interest and Fiscal Charges	86,201	86,201	92,416	92,416
<b>Total</b>	<b>\$27,670,186</b>	<b>\$21,245,738</b>	<b>\$25,683,310</b>	<b>\$19,394,898</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 75 percent of instructional expenses are supported through taxes and other general revenues. For all governmental activities, general revenue support is approximately 77 percent.

**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
Unaudited

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**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 \$22,862,101 and expenditures of \$22,221,549. The fund balance of the General Fund, including other financing sources and uses, increased \$553,677 from fiscal year 2016. 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. In addition, tuition and fees revenue increased in the amount of \$298,063 due to an increase in open enrollment. Offsetting these revenue increases were slight increases in expenditures when, along with other financing uses, resulted in the ending fund balance to grow by 19 percent. This effort is reflective of the School District's desire to maintaining an adequate carryover balance into the next fiscal year.

The Bond Retirement Debt Service Fund had total revenues of \$412,584, which were less than expenditures of \$717,112, and along with other financing sources, resulted in a decrease in fund balance in the amount of \$210,053 from fiscal year 2016. 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 an 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 2017, the School District amended its General Fund appropriations. These amendments were not significant and the changes from the original to the final amounts had a minimal effect on budgeted ending fund balance. The actual results of operations were significantly different than final budgeted amounts by \$884,521 or approximately 47 percent of the beginning fund balance. Conservative estimates in property taxes and tuition and fees revenues resulted in actual revenues exceeding final budgeted amounts in the amount of \$837,335. Spending in most support services categories were more than budgeted amounts. However, in total, expenditures in the General Fund, including other financing uses, were below final budgeted amounts in the amount of \$39,586.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017, the School District had \$34,554,315 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2017 balances compared to 2016.



**Cambridge City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
 Unaudited

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

	Governmental Activities	
	2017	2016
Land	\$5,031,339	\$5,031,339
Land Improvements	217,770	250,573
Buildings and Improvements	27,138,598	28,162,045
Furniture and Fixtures	249,784	277,128
Machinery and Equipment	1,397,777	1,462,724
Vehicles	519,047	328,409
Totals	\$34,554,315	\$35,512,218

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

***Debt***

At June 30, 2017, the School District had \$4,445,591 in general obligation bonds outstanding (including premiums and accretion), of which \$610,000 is due within one year. During fiscal year 2017, the School District paid the final payment of \$14,857 towards the buyout of their natural gas contract. 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 2018 based upon the current State Budget and currently known School District specific facts. This decrease is mainly attributable to an anticipated decrease in Preschool Special Education funding and Opportunity Funding that resulted from the currently known decrease in the number of students in these programs.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Caldwell, Treasurer, at Cambridge City School District, 518 South 8<sup>th</sup> Street, Cambridge, Ohio 43725, or E-Mail at [dave.caldwell@cambridgeschools.org](mailto:dave.caldwell@cambridgeschools.org).

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**Cambridge City School District**

*Statement of Net Position*

*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,125,161
Cash and Cash Equivalents in Segregated Accounts	1,240
Cash and Cash Equivalents with Fiscal Agents	1,096,920
Investments	38,360
Inventory Held for Resale	122,690
Materials and Supplies Inventory	53,178
Accounts Receivable	215,899
Intergovernmental Receivable	903,514
Prepaid Items	198,310
Property Taxes Receivable	7,759,428
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	29,522,976
<i>Total Assets</i>	<u>51,069,015</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	33,173
Pension	6,269,134
<i>Total Deferred Outflows of Resources</i>	<u>6,302,307</u>
<b>Liabilities</b>	
Accounts Payable	141,883
Accrued Wages and Benefits Payable	1,330,347
Intergovernmental Payable	517,361
Accrued Interest Payable	7,020
Claims Payable	392,360
Long-Term Liabilities:	
Due Within One Year	648,587
Due In More Than One Year:	
Net Pension Liability (See Note 11)	35,510,407
Other Amounts Due In More Than One Year	4,963,526
<i>Total Liabilities</i>	<u>43,511,491</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	4,262,189
Pension	850,582
<i>Total Deferred Inflows of Resources</i>	<u>5,112,771</u>
<b>Net Position</b>	
Net Investment in Capital Assets	30,227,013
Restricted for:	
Debt Service	1,690,482
Capital Projects	140,812
Food Service	495,280
Classroom Facilities Maintenance	476,269
Athletic and Music	63,945
Auxiliary Services	33,967
State Programs	51,518
Federal Programs	303,354
Unclaimed Monies	1,587
Music Supplies:	
Non-Expendable	500
Expendable	2,046
Unrestricted (Deficit)	(24,739,713)
<i>Total Net Position</i>	<u><u>\$8,747,060</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net Expense and Change in Net Position
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$12,438,134	\$1,034,480	\$146,085	\$0	(\$11,257,569)
Special	4,440,787	43,375	2,849,228	94,634	(1,453,550)
Vocational	104,562	0	77,180	0	(27,382)
Student Intervention Services	57,457	0	0	0	(57,457)
Support Services:					
Pupils	1,391,557	0	152,377	0	(1,239,180)
Instructional Staff	301,639	0	216,871	0	(84,768)
Board of Education	289,050	0	0	0	(289,050)
Administration	1,841,648	0	208,221	0	(1,633,427)
Fiscal	650,438	0	106,079	0	(544,359)
Business	53,163	0	0	0	(53,163)
Operation and Maintenance of Plant	2,414,403	26,040	218,857	0	(2,169,506)
Pupil Transportation	1,323,075	0	0	0	(1,323,075)
Central	442,075	0	4,303	0	(437,772)
Operation of Non-Instructional Services:					
Food Service Operations	1,107,697	124,338	829,034	5,500	(148,825)
Other Non-Instructional Services	102,270	0	97,763	0	(4,507)
Extracurricular Activities	626,030	189,039	1,044	0	(435,947)
Interest and Fiscal Charges	86,201	0	0	0	(86,201)
<b>Totals</b>	<b>\$27,670,186</b>	<b>\$1,417,272</b>	<b>\$4,907,042</b>	<b>\$100,134</b>	<b>(21,245,738)</b>
<b>General Revenues</b>					
Property Taxes Levied For:					
					6,129,736
					302,844
					85,978
Grants and Entitlements not					
					13,205,779
Restricted to Specific Programs					
					64,233
Interest					
					7,600
Gain on Sale of Capital Assets					
					205,710
Miscellaneous					
					205,710
<b>Total General Revenues</b>					
					<b>20,001,880</b>
<b>Change in Net Position</b>					
					<b>(1,243,858)</b>
<b>Net Position Beginning of Year</b>					
					<b>9,990,918</b>
<b>Net Position End of Year</b>					
					<b>\$8,747,060</b>

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2017*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,531,028	\$1,570,349	\$1,316,023	\$5,417,400
Cash and Cash Equivalents in Segregated Accounts	0	0	1,240	1,240
Investments	38,360	0	0	38,360
Receivables:				
Property Taxes	7,298,481	359,484	101,463	7,759,428
Accounts	16,589	0	9,152	25,741
Interfund	131,220	0	0	131,220
Intergovernmental	272,059	0	631,455	903,514
Prepaid Items	194,214	0	4,096	198,310
Inventory Held for Resale	0	0	122,690	122,690
Materials and Supplies Inventory	48,892	0	4,286	53,178
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	1,587	0	0	1,587
<i>Total Assets</i>	<u>\$10,532,430</u>	<u>\$1,929,833</u>	<u>\$2,190,405</u>	<u>\$14,652,668</u>
<b>Liabilities</b>				
Accounts Payable	\$109,520	\$0	\$32,363	\$141,883
Accrued Wages and Benefits Payable	1,171,311	0	159,036	1,330,347
Interfund Payable	0	0	131,220	131,220
Intergovernmental Payable	466,414	0	50,947	517,361
<i>Total Liabilities</i>	<u>1,747,245</u>	<u>0</u>	<u>373,566</u>	<u>2,120,811</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	4,010,132	196,318	55,739	4,262,189
Unavailable Revenue	1,362,844	64,438	429,240	1,856,522
<i>Total Deferred Inflows of Resources</i>	<u>5,372,976</u>	<u>260,756</u>	<u>484,979</u>	<u>6,118,711</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	48,892	0	4,286	53,178
Prepaid Items	194,214	0	4,096	198,310
Unclaimed Monies	1,587	0	0	1,587
Music Supplies	0	0	500	500
Restricted for:				
Debt Service	0	1,669,077	0	1,669,077
Capital Projects	0	0	173,272	173,272
Food Service Operations	0	0	528,895	528,895
State Grant Expenditures	0	0	4,598	4,598
Music Supplies	0	0	2,046	2,046
Classroom Facilities Maintenance	0	0	458,817	458,817
Athletic and Music	0	0	63,945	63,945
Auxiliary Services	0	0	34,101	34,101
Committed to:				
Encumbrances	261,229	0	0	261,229
Scholarships	0	0	46,758	46,758
Assigned to:				
Purchases on Order	561,122	0	0	561,122
Capital Projects	0	0	66,817	66,817
Other Purposes	33,057	0	0	33,057
Unassigned (Deficit)	2,312,108	0	(56,271)	2,255,837
<i>Total Fund Balances</i>	<u>3,412,209</u>	<u>1,669,077</u>	<u>1,331,860</u>	<u>6,413,146</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,532,430</u>	<u>\$1,929,833</u>	<u>\$2,190,405</u>	<u>\$14,652,668</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, 2017*

<b>Total Governmental Fund Balances</b>		\$6,413,146
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,554,315
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	1,355,630	
Grants	473,136	
Customer Sales and Services	8,253	
Tuition and Fees	18,803	
Extracurricular Activities	700	
Total	1,856,522	1,856,522
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.		(7,020)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Improvement Bonds - Serial	(70,000)	
Energy Conservation Improvement Bonds - Term	(805,000)	
Energy Conservation Improvement Bonds - Capital Appreciation	(41,020)	
Accretion on Energy Conservation Capital Appreciation Bonds	(16,643)	
Energy Conservation Improvement Bonds Premium	(36,013)	
Classroom Facilities Refunding Bonds - Serial	(3,410,000)	
Classroom Facilities Refunding Bonds Premium	(66,915)	
Compensated Absences Payable	(1,166,522)	
Total	(5,612,113)	(5,612,113)
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	6,269,134	
Deferred Inflows - Pension	(850,582)	
Net Pension Liability	(35,510,407)	
Total	(30,091,855)	(30,091,855)
Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		33,173
An internal service fund is used by management to charge to costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,600,892
<i>Net Position of Governmental Activities</i>		<b>\$8,747,060</b>

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$6,235,340	\$307,508	\$87,346	\$6,630,194
Intergovernmental	15,182,074	105,076	2,687,934	17,975,084
Interest	55,839	0	3,399	59,238
Tuition and Fees	1,097,602	0	0	1,097,602
Rent	26,040	0	7,200	33,240
Extracurricular Activities	56,724	0	132,571	189,295
Gifts and Donations	0	0	2,244	2,244
Customer Sales and Services	0	0	124,754	124,754
Miscellaneous	208,482	0	4,952	213,434
<i>Total Revenues</i>	<u>22,862,101</u>	<u>412,584</u>	<u>3,050,400</u>	<u>26,325,085</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,190,326	0	91,676	11,282,002
Special	3,006,990	0	1,077,681	4,084,671
Vocational	93,229	0	0	93,229
Student Intervention Services	54,242	0	0	54,242
Support Services:				
Pupils	1,098,362	0	148,304	1,246,666
Instructional Staff	86,404	0	204,984	291,388
Board of Education	278,020	0	0	278,020
Administration	1,452,815	0	202,388	1,655,203
Fiscal	613,617	8,637	2,401	624,655
Business	50,998	0	0	50,998
Operation and Maintenance of Plant	2,075,015	0	221,037	2,296,052
Pupil Transportation	1,416,079	0	0	1,416,079
Central	382,616	0	4,500	387,116
Operation of Non-Instructional Services:				
Food Service Operations	0	0	965,304	965,304
Other Non-Instructional Services	81	0	94,944	95,025
Extracurricular Activities	422,755	0	147,375	570,130
Debt Service:				
Principal Retirement	0	525,000	0	525,000
Interest on Capital Appreciation Bonds	0	85,000	0	85,000
Interest and Fiscal Charges	0	98,475	0	98,475
<i>Total Expenditures</i>	<u>22,221,549</u>	<u>717,112</u>	<u>3,160,594</u>	<u>26,099,255</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>640,552</u>	<u>(304,528)</u>	<u>(110,194)</u>	<u>225,830</u>
<b>Other Financing Sources (Use)</b>				
Transfers In	0	94,475	0	94,475
Proceeds from Sale of Capital Assets	7,600	0	0	7,600
Transfers Out	(94,475)	0	0	(94,475)
<i>Total Other Financing Sources (Use)</i>	<u>(86,875)</u>	<u>94,475</u>	<u>0</u>	<u>7,600</u>
<i>Net Change in Fund Balances</i>	553,677	(210,053)	(110,194)	233,430
<i>Fund Balances Beginning of Year</i>	<u>2,858,532</u>	<u>1,879,130</u>	<u>1,442,054</u>	<u>6,179,716</u>
<i>Fund Balances End of Year</i>	<u>\$3,412,209</u>	<u>\$1,669,077</u>	<u>\$1,331,860</u>	<u>\$6,413,146</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, 2017*

**Net Change in Fund Balances - Total Governmental Funds** \$233,430

*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	420,227	
Depreciation Expense	<u>(1,378,130)</u>	
Total		(957,903)

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

Property Taxes	(111,636)	
Intergovernmental	174,622	
Tuition and Fees	(26,947)	
Extracurricular Activities	(256)	
Charges for services	(416)	
Miscellaneous Revenue	(22,841)	
Pupil Transportation	<u>(2,477)</u>	
Total		10,049

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

Energy Conservation Improvement Bonds	70,000	
Classroom Facilities Refunding Bonds	455,000	
Capital Appreciation Bond Interest	<u>85,000</u>	
Total		610,000

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	6,916	
Amortization of Deferred Amount on Refunding	(5,529)	
Accretion of Interest on Energy Conservation Improvement Bonds	(7,015)	
Accretion of Interest on Classroom Facilities Refunding Bonds	(36,120)	
Amortization of Energy Conservation Improvement Bond Premium	3,000	
Amortization of Classroom Facilities Refunding Serial Bond Premium	11,152	
Amortization of Classroom Facilities Refunding Capital Appreciation Bond Premium	<u>39,870</u>	
Total		12,274

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	118,346	
Energy USA Buyout Contract	<u>14,857</u>	
Total		133,203

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,660,335

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,586,346)

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. (358,900)

*Change in Net Position of Governmental Activities* (\$1,243,858)

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, 2017*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$5,852,000	\$5,852,000	\$6,131,689	\$279,689
Intergovernmental	15,035,800	15,035,800	15,125,346	89,546
Interest	17,200	17,200	43,702	26,502
Tuition and Fees	673,800	673,800	1,079,845	406,045
Rent	20,000	20,000	26,040	6,040
Extracurricular Activities	55,500	55,500	56,724	1,224
Gifts and Donations	10,740	10,740	0	(10,740)
Miscellaneous	127,400	127,400	166,429	39,029
<i>Total Revenues</i>	21,792,440	21,792,440	22,629,775	837,335
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,067,243	11,067,243	11,409,632	(342,389)
Special	3,017,417	3,037,417	3,131,257	(93,840)
Vocational	192,762	192,762	156,335	36,427
Student Intervention Services	74,121	74,121	67,794	6,327
Support Services:				
Pupils	1,263,044	1,263,044	1,151,660	111,384
Instructional Staff	187,846	187,846	92,911	94,935
Board of Education	163,252	294,932	298,138	(3,206)
Administration	1,516,531	1,516,531	1,535,470	(18,939)
Fiscal	641,568	641,568	668,489	(26,921)
Business	53,519	53,519	64,159	(10,640)
Operation and Maintenance of Plant	2,429,354	2,512,354	2,394,473	117,881
Pupil Transportation	1,587,379	1,587,379	1,727,586	(140,207)
Central	420,463	420,463	418,501	1,962
Extracurricular Activities	470,766	470,766	433,799	36,967
<i>Total Expenditures</i>	23,085,265	23,319,945	23,550,204	(230,259)
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,292,825)	(1,527,505)	(920,429)	607,076
<b>Other Financing Source (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	7,600	7,600
Transfers Out	(99,000)	(99,000)	(94,475)	4,525
Other Financing Uses	(400,000)	(265,320)	0	265,320
<i>Total Other Financing Source (Uses)</i>	(499,000)	(364,320)	(86,875)	277,445
<i>Net Change in Fund Balance</i>	(1,791,825)	(1,891,825)	(1,007,304)	884,521
<i>Fund Balance Beginning of Year</i>	1,874,928	1,874,928	1,874,928	0
Prior Year Encumbrances Appropriated	875,104	875,104	875,104	0
<i>Fund Balance End of Year</i>	\$958,207	\$858,207	\$1,742,728	\$884,521

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2017*

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	Governmental Activity <u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$706,174
Cash and Cash Equivalents with Fiscal Agents	1,096,920
Accounts Receivable	<u>190,158</u>
<i>Total Assets</i>	1,993,252
<b>Current Liabilities</b>	
Claims Payable	<u>392,360</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,600,892</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, 2017*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,047,808
Other Revenues	15,117
	3,062,925
<b>Operating Expenses</b>	
Purchased Services	996,964
Claims	2,421,158
Other	12,097
	3,430,219
<i>Operating Loss</i>	(367,294)
<b>Non-Operating Revenues</b>	
Interest	8,394
<i>Net Change in Net Position</i>	(358,900)
<i>Net Position Beginning of Year</i>	1,959,792
<i>Net Position End of Year</i>	\$1,600,892

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, 2017

	Governmental Activity Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,047,808
Cash Received from Other Operating Sources	15,117
Cash Payments for Goods and Services	(996,964)
Cash Payments for Claims	(2,557,815)
Cash Payments for Operating Expenses	(12,097)
	(503,951)
<b>Cash Flows from Investing Activities</b>	
Interest	8,394
	(495,557)
<i>Net Decrease in Cash and Cash Equivalents</i>	(495,557)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,298,651
	\$1,803,094
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$367,294)
Changes in Liabilities:	
Increase in Accounts Receivable	(56,441)
Decrease in Claims Payable	(80,216)
	(136,657)
Net Cash Used for Operating Activities	(\$503,951)

See accompanying notes to the basic financial statements

**Cambridge City School District**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2017*

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	Private Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$458,310	\$41,807
Cash and Cash Equivalents in Segregated Accounts	<u>37,416</u>	<u>0</u>
<i>Total Assets</i>	<u>495,726</u>	<u>\$41,807</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$41,807</u>
<b>Net Position</b>		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	<u>162,011</u>	
Total Net Position	<u>\$495,726</u>	

See accompanying notes to the basic financial statements

**Cambridge City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*June 30, 2017*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$13,500
Interest	5,508
<i>Total Additions</i>	19,008
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	22,784
<i>Change in Net Position</i>	(3,776)
<i>Net Position Beginning of Year</i>	499,502
<i>Net Position End of Year</i>	\$495,726

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, 2017*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and three support facilities staffed by 107 classified employees and 171 certified personnel, who provide services to 2,216 students and other community members.

***Reporting Entity***

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, the Coalition of Rural and Appalachian Schools, and the 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, 2017*

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***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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



**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

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

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

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

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

**Measurement Focus**

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

***Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, miscellaneous accounts receivable, and intergovernmental grants. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. 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.

***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 2017, investments were limited to common stock and STAR Ohio.

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$55,839, which includes \$40,883 assigned from other School District funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Inventory***

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

***Capital Assets***

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

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

***Interfund Balances***

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

***Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies not available for appropriation.

***Compensated Absences***

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

***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.

***Internal Activity***

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

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

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

***Fund Balance***

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

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

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

***Bond Premiums and Discounts***

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

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

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Deferred Charge on Refunding***

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

***Capital Contributions***

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

***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Extraordinary and Special Items***

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

***Estimates***

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



**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Budgetary Process***

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

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

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

**Note 3 - Accountability**

The following special revenue funds had deficit fund balances as of June 30, 2017:

	<u>Amount</u>
Title I Grant	\$22,588
Miscellaneous Federal Grants	23,239
IDEA Part B Grant	7,434

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

**Note 4 - Budgetary Basis of Accounting**

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$553,677
Revenue Accruals	(220,189)
Fiscal Year 2016 Market Value Adjustment	24,485
Fiscal Year 2017 Market Value Adjustment	(36,622)
Fiscal Year 2016 Prepaid Items	166,486
Fiscal Year 2017 Prepaid Items	(194,214)
Expenditure Accruals	(246,862)
Advances Out	(131,220)
Encumbrances	(922,845)
Budget Basis	(\$1,007,304)

**Note 5 - Deposits and Investments**

The School District has chosen to follow State statute and classify monies held by the School District into three categories.

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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 monies 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 held by the School District 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
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, 2017, the School District's Internal Service Fund had a balance of \$1,096,920 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

***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, \$761,247 of the School District’s bank balance of \$1,048,663, including the payroll account balance of \$142,964, 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

***Investments***

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments, which are part of the internal investment pool:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>S&amp;P Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level 1 Inputs				
JP Morgan Chase & Co. Common Stock	\$38,360	N/A	Not Rated	100.00%
Net Value Per Share				
STAR Ohio	\$6,352,183	\$46	AAAm	N/A

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District’s recurring fair value measurements as of June 30, 2017. The School District’s investment in common stock is valued at quoted market prices (Level 1 inputs).

***Credit Risk*** The School District has no investment policy that would further limit its investment choices. The investments in common stock are donated investments, and were not purchased by the School District. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

**Note 6 - Property Taxes and Abatements**

***Property Taxes***

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

The amount available as an advance, and recognized as revenue at June 30, 2017, was \$2,014,609 in the General Fund, \$28,272 in the Classroom Facilities Maintenance Special Revenue Fund, and \$98,728 in the Bond Retirement Debt Service Fund. At June 30, 2016, \$1,910,958 was available as an advance in the General Fund, \$26,654 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$94,103 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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$226,691,770	89.32%	\$226,704,590	88.14%
Public Utility Personal	27,117,290	10.68%	30,500,500	11.86%
Total	\$253,809,060	100.00%	\$257,205,090	100.00%
Tax Rate per \$1,000 of assessed valuation	\$35.95		\$35.85	

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

***Abatements***

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

Overlapping Governments	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Guernsey County	\$30,199
City of Cambridge	22,309

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

**Note 7 - Receivables**

Receivables at June 30, 2017 consisted of property taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,355,630 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:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Early Childhood Grant	\$55,740
IDEA Part B Grant	146,816
Title I Grants	353,751
Title VI-B Rural Grant	10,287
Title II-A Grant	60,148
E-Rate Reimbursements	65,250
Foundation Funding Adjustments	155,118
Medicaid Reimbursements	7,038
Bureau of Workers' Compensation Rebate	49,366
	\$903,514

**Note 8 - Risk Management**

*Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, 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:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

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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
Back Wages and Declaratory, Equitable, and Injunctive Relief	\$25,000-\$100,000
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	\$106,326,985
Flood, Earthquake, and Extra Expense Coverage - each	\$1,000,000
Accounts Receivable	\$100,000
Business Interruption and Rental Income	\$250,000
Boiler and Machinery Breakdown - \$1,000 deductible	\$100,000,000
Crime Coverage - \$1,000 deductible	
Employee Theft, Forgery, Computer Fraud - each	\$100,000
Funds Transfer and Theft	\$25,000

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

***Workers' Compensation***

For fiscal year 2017, 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.



**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

***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 offered coverage 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 \$651.79 for single coverage and \$1,495.89 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 \$392,360 reported in the internal service fund at June 30, 2017, 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
2016	\$312,423	\$3,020,022	\$2,859,869	\$472,576
2017	472,576	2,477,599	(1) 2,557,815	392,360
		(1) Claims Expense		
		\$2,421,158		
		Net Increase in Stop Loss Receivable		
		56,441		
		<u>\$2,477,599</u>		

**Note 9 - Employee Benefits**

***Compensated Absences***

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

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

***Health Insurance***

Effective January 1, 2016, the School District offered to employees a high deductible medical and prescription plan in conjunction with a Health Savings Account. The high deductible plan sets amounts at \$2,600 for single and \$5,200 for family coverage for both classified and certified employees. The creation of the Health Savings Account states that the School District will contribute to each account a total of \$2,036 for single and \$3,979 for family plans for classified employees and \$1,000 for single and \$2,000 for family plans for certified employees. Payments to each eligible classified employee health savings account will occur on January 1 and July 1 of each year. Payments to each eligible certified employee health savings account will occur on January 1 of each year and then monthly from July to December each year.

***Life Insurance***

The School District provides life insurance to contracted employees through 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, 2017, was as follows:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

	Balance 06/30/2016	Additions	Reductions	Balance 06/30/2017
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	5,031,339	0	0	5,031,339
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,236,900	24,940	0	42,261,840
Furniture and Fixtures	571,101	0	0	571,101
Machinery and Equipment	2,844,206	141,734	(59,656)	2,926,284
Vehicles	1,605,386	253,553	(255,138)	1,603,801
Total capital assets being depreciated	47,913,649	420,227	(314,794)	48,019,082
Accumulated depreciation				
Land Improvements	(405,483)	(32,803)	0	(438,286)
Buildings and Improvements	(14,074,855)	(1,048,387)	0	(15,123,242)
Furniture and Fixtures	(293,973)	(27,344)	0	(321,317)
Machinery and Equipment	(1,381,482)	(206,681)	59,656	(1,528,507)
Vehicles	(1,276,977)	(62,915)	255,138	(1,084,754)
Total accumulated depreciation	(17,432,770)	(1,378,130) *	314,794	(18,496,106)
Capital assets being depreciated, net	30,480,879	(957,903)	0	29,522,976
Governmental Activities capital assets, net	\$35,512,218	(\$957,903)	\$0	\$34,554,315

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

Instruction:	
Regular	\$562,920
Special	204,621
Vocational	7,984
Intervention	1,902
Support Services:	
Pupils	81,401
Instructional Staff	16,665
Board of Education	8,471
Administration	83,021
Fiscal	26,647
Business	2,165
Operation and Maintenance of Plant	117,567
Pupil Transportation	64,100
Central	33,575
Extracurricular Activities	67,383
Operation of Non-Instructional Services	5,067
Food Service Operations	94,641
Total Depreciation Expense	<u>\$1,378,130</u>

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

	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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$342,772 for fiscal year 2017. Of this amount \$37,867 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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. For the year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,317,563 for fiscal year 2017. Of this amount, \$159,849 is reported as an intergovernmental payable.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

***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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.08225390%	0.09169054%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.07846910%</u>	<u>0.08892893%</u>	
Change in Proportionate Share	<u>-0.00378480%</u>	<u>-0.00276161%</u>	
Proportionate Share of the Net Pension Liability	\$5,743,215	\$29,767,192	\$35,510,407
Pension Expense	\$540,074	\$2,046,272	\$2,586,346

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$77,462	\$1,202,737	\$1,280,199
Changes of assumptions	383,391	0	383,391
Net difference between projected and actual earnings on pension plan investments	473,732	2,471,477	2,945,209
School District contributions subsequent to the measurement date	<u>342,772</u>	<u>1,317,563</u>	<u>1,660,335</u>
Total Deferred Outflows of Resources	<u>\$1,277,357</u>	<u>\$4,991,777</u>	<u>\$6,269,134</u>

**Deferred Inflows of Resources**

Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>\$177,366</u>	<u>\$673,216</u>	<u>\$850,582</u>
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\$1,660,335 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, 2018. 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:			
2018	\$167,069	\$410,920	\$577,989
2019	166,726	410,919	577,645
2020	287,246	1,359,296	1,646,542
2021	<u>136,178</u>	<u>819,863</u>	<u>956,041</u>
Total	<u>\$757,219</u>	<u>\$3,000,998</u>	<u>\$3,758,217</u>

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

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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, 2016, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

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



**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

return from rebalanced uncorrelated asset classes.

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.55 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,603,658	\$5,743,215	\$4,185,946

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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*  
For the Fiscal Year Ended June 30, 2017

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
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	 <u>100.00 %</u>	 <u>7.61 %</u>

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes 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 of future plan members, are excluded. 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, 2016. 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, 2016.

**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, 2017*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$39,558,181	\$29,767,192	\$21,507,918

***Changes between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's NPL is expected to be significant.

***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, 2017, no 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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$40,456.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$40,456, \$39,256, and \$65,961, respectively. For 2017, the entire amount has been reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

***State Teachers Retirement System***

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**Note 13 - Long-Term Obligations**

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

	Principal Outstanding 06/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due Within One Year
2014 Energy Conservation Improvement Bonds:					
Serial Bonds - \$300,000 - 1.00%-1.50%	\$140,000	\$0	\$70,000	\$70,000	\$70,000
Term Bonds - \$805,000 - 1.75%-2.90%	805,000	0	0	805,000	0
Original Issue of Capital Appreciation					
Bonds - \$41,020 - 13.385%	41,020	0	0	41,020	0
Accretion on Capital Appreciation Bonds	9,628	7,015	0	16,643	0
Bond Premium	39,013	0	3,000	36,013	0
Total 2014 Energy Conservation Improvement Bonds	<u>1,034,661</u>	<u>7,015</u>	<u>73,000</u>	<u>968,676</u>	<u>70,000</u>
2015 Classroom Facilities Refunding Bonds:					
Serial Bonds - \$3,410,000 - 2.00%-3.00%	3,410,000	0	0	3,410,000	540,000
Original Issue of Capital Appreciation					
Bonds - \$455,000 - 14.48%	455,000	0	455,000	0	0
Accretion on Capital Appreciation Bonds	48,880	36,120	85,000	0	0
Premium on Serial Bonds	78,067	0	11,152	66,915	0
Premium on Capital Appreciation Bonds	39,870	0	39,870	0	0
Total 2015 Classroom Facilities Refunding Bonds	<u>4,031,817</u>	<u>36,120</u>	<u>591,022</u>	<u>3,476,915</u>	<u>540,000</u>
Net Pension Liability:					
STRS	25,340,584	4,426,608	0	29,767,192	0
SERS	4,693,487	1,049,728	0	5,743,215	0
Total Net Pension Liability	<u>30,034,071</u>	<u>5,476,336</u>	<u>0</u>	<u>35,510,407</u>	<u>0</u>
Energy USA Contract Buyout	<u>14,857</u>	<u>0</u>	<u>14,857</u>	<u>0</u>	<u>0</u>
Compensated Absences	<u>1,284,868</u>	<u>153,775</u>	<u>272,121</u>	<u>1,166,522</u>	<u>38,587</u>
Total Long-Term Liabilities	<u>\$36,400,274</u>	<u>\$5,673,246</u>	<u>\$951,000</u>	<u>\$41,122,520</u>	<u>\$648,587</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 2017 was \$3,000 leaving an unamortized balance of \$36,013. These bonds are being retired from the Bond Retirement Debt Service Fund with General Fund savings from the energy conservation measures.

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

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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<u>Redemption Date</u> (December 1)	<u>Principal Amount</u> 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:

<u>Redemption Date</u> (December 1)	<u>Principal Amount</u> 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.

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

<u>Redemption Date</u> (December 1)	<u>Principal Amount</u> to be Redeemed
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</u> (December 1)	<u>Principal Amount</u> to be Redeemed
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 2017 accretion was \$7,015 leaving a total capital appreciation bond liability of \$57,663.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

Principal and interest requirements to retire the remaining outstanding 2014 Energy Conservation School Improvement Bonds at June 30, 2017, are as follows:

Fiscal Year Ending	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2018	\$70,000	\$23,425	\$0	\$0
2019	0	0	41,020	28,980
	<u>\$70,000</u>	<u>\$23,425</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.

On September 10, 2015, the School District issued \$3,865,000 of Classroom Facilities Refunding Bonds that consisted of \$3,410,000 in serial bonds and \$455,000 in capital appreciation bonds that were used to current refund the 2005 Classroom Facilities Refunding Bonds. These refunding bonds were sold at a premium of \$168,959 that will be amortized over the term of the bonds. The amount amortized in fiscal year 2017 is \$51,022 leaving an unamortized balance of \$66,915. As of result of the refunding, \$3,865,000 of the refunded bonds is considered defeased and the liability is removed from the statement of net position. \$3,944,863 (after premium, underwriting fees, and other issuance costs) was deposited into an irrevocable trust until the refunded bonds were called on December 1, 2015 and the escrow account was closed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price in the amount of \$44,231. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is amortized to interest expense through fiscal year 2023. The amount amortized for fiscal year 2017 is \$5,529 leaving an unamortized balance of \$33,173. The bonds are backed by the full faith and credit of the School District and are being retired from the Bond Retirement Debt Service Fund using proceeds from a tax levy. The bonds were issued for an eight year period with final maturity in 2023.

Principal and interest requirements to retire the 2015 refunding serial bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending	Serial	
	Principal	Interest
2018	\$540,000	\$68,600
2019	550,000	57,700
2020	565,000	46,550
2021	575,000	35,150
2022	580,000	20,700
2023	600,000	6,000
	<u>\$3,410,000</u>	<u>\$234,700</u>

The capital appreciation refunding bonds for the 2015 issue matured on December 1, 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest was paid and the bond holder received the face value of the bond. As the value of the bond increased, the accretion was reflected as a liability. For fiscal year 2017, \$36,120 was accreted which brought the maturity amount of the outstanding capital appreciation bonds to \$540,000.

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 was paid in five equal annual installments with the final payment of \$14,857 being paid during fiscal year 2017. This contract payable was paid from the General Fund.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

The overall debt margin of the School District as of June 30, 2017, was \$20,473,595, with an unvoted debt margin of \$257,006.

**Note 14 - Jointly Governed Organizations**

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

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

During fiscal year 2017, the amount paid to OME-RESA from the School District was \$49,694 for cooperative purchasing, technology, internet access, financial accounting services, and educational management information. OME-RESA serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The board exercised total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2017, 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, 2017*

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***Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2017. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

***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 2017, the School District paid \$974 for membership fees to the Coalition.

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

***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, 2017*

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***Ohio School Plan***

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

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

The School District participates in the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over three hundred participants, including six pool organizations within the consortium. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, prescription drug, and vision coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$200,000 under which the individual member is responsible for all claims below the selected deductible. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,500,000, and all claims between the deductible and the \$1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a funding accrual that is actuarially calculated based on the participants' actual claims experience which is utilized for the payment of claims and plan expenses within the participant's reserve account up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for the selected deductible that is included in the funding accrual that is based on the claims of the selected internal pool deductible in aggregate and is not based on individual participant claims experience. In the event of a deficit in a participant's reserve account, the participant would be charged an additional funding accrual, and in the event of a surplus, the participant can apply for a funding accrual moratoria. For all individual claims exceeding \$1,500,000, umbrella stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services, among other fixed costs that are included in the monthly funding accrual.

**Note 16 - Contingencies**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

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***Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2017 are finalized. The final ODE adjustment has no significant impact on the financial statements.

***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.

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	362,356
Current Year Offsets	(388,617)
Current Year Qualifying Disbursements	(532,551)
Total	(\$558,812)
Set-aside Reserve Balance as of June 30, 2017	\$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.

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 18 - Internal Activity**

At June 30, 2017, the General Fund provided cash flow resources to various funds in the amount of \$131,220 which is reflected as interfund receivables. The funds that received the cash flow resources which are reflected as interfund payables were the Title 1, IDEA Part B, and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$67,033, \$36,950, and \$27,237, respectively. These interfund loans were used to provide cash flow resources until the receipt of grant monies.

Interfund transfers for the year ended June 30, 2017, from the General Fund in the amount of \$94,475, were used to provide revenue to the Bond Retirement Debt Service Fund for debt service payments on the House Bill 264 Energy Conservation Bonds.

**Note 19 - Donor Restricted Endowments**

The School District's permanent fund includes a donor restricted endowment that indicates that interest should be used on music supplies each year. The Net Position - Non-Expendable amount of \$500 represents the principal portion of the endowments. The Net Position - Expendable amount of \$2,046 represents the interest earnings on donor-restricted investments and is available for expenditure by the board of education to appropriate, for purposes consistent with the endowment's intent.

The School District's private purpose trust fund includes donor restricted endowments that indicate that interest should be used to provide scholarships each year. The Statement of Fiduciary Net Position non-expendable amount of \$333,715 is presented as Restricted for Endowments and represents the principal portion of the endowments. The Statement of Fiduciary Net Position expendable amount of \$162,011 is presented as Held in Trust for Scholarships and represents the interest earnings on donor-restricted investments and is available for expenditure by the board of education to appropriate, for purposes consistent with the endowment's intent.

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

**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:

<u>Governmental Funds</u>	<u>Encumbrances</u>
General Fund	\$922,845
Nonmajor Governmental Funds	<u>237,741</u>
Total Governmental Funds	<u><u>\$1,160,586</u></u>

**Cambridge City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 21 - Change in Accounting Principles and Restatement of Net Position/Fund Balance**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2017, the School District implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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**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 Four Fiscal Years (1) \**

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

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

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

**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 Four Fiscal Years (1) \**

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

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

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



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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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$342,772	\$350,454	\$331,045	\$351,203
Contributions in Relation to the Contractually Required Contribution	<u>(342,772)</u>	<u>(350,454)</u>	<u>(331,045)</u>	<u>(351,203)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,448,371	\$2,503,243	\$2,511,721	\$2,533,931
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$359,197	\$344,059	\$347,166	\$360,875	\$270,668	\$231,673
<u>(359,197)</u>	<u>(344,059)</u>	<u>(347,166)</u>	<u>(360,875)</u>	<u>(270,668)</u>	<u>(231,673)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,595,351	\$2,558,063	\$2,761,863	\$2,665,250	\$2,750,693	\$2,359,192
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,317,563	\$1,328,153	\$1,345,344	\$1,212,624
Contributions in Relation to the Contractually Required Contribution	<u>(1,317,563)</u>	<u>(1,328,153)</u>	<u>(1,345,344)</u>	<u>(1,212,624)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$9,411,164	\$9,486,807	\$9,609,600	\$9,327,879
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$1,275,212	\$1,278,167	\$1,325,067	\$1,415,009	\$1,352,246	\$1,248,772
(1,275,212)	(1,278,167)	(1,325,067)	(1,415,009)	(1,352,246)	(1,248,772)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,809,323	\$9,832,054	\$10,192,823	\$10,884,685	\$10,401,892	\$9,605,938
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Cambridge City School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

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

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

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

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through Ohio Department of Education</b>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program (Food Donation)	10.555	2017	\$66,510
Cash Assistance:			
School Breakfast Program	10.553	2017	226,722
National School Lunch Program	10.555	2017	486,521
Cash Assistance Subtotal			<u>713,243</u>
Total Child Nutrition Cluster			<u>779,753</u>
Total U.S. Department of Agriculture			<u>779,753</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed Through Ohio Department of Education</b>			
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010	2016	138,279
		2017	870,326
Title I Program for Neglected and Delinquent Children		2016	636
Title I Grants to Local Educational Agencies, School Improvement		2016	4,962
Total Title I Grants to Local Educational Agencies			<u>1,014,203</u>
Special Education Cluster:			
Special Education-Grants to States	84.027	2016	69,099
		2017	442,527
Total Special Education-Grants to States			<u>511,626</u>
Special Education-Preschool Grants	84.173	2017	25,626
Total Special Education Cluster			537,252
Rural Education	84.358	2016	3,704
		2017	39,286
Total Rural Education			<u>42,990</u>
Improving Teacher Quality State Grants	84.367	2016	23,211
		2017	115,853
Total Improving Teacher Quality State Grants			<u>139,064</u>
Total U.S. Department of Education			<u>1,733,509</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$2,513,262</u></u></b>

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

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – SUBRECIPIENTS**

The School District did not pass-through any grant funds to subrecipients. Accordingly, no pass-through expenditures are shown on the Schedule.

**NOTE D – CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective 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  
518 South 8<sup>th</sup> Street  
Cambridge, Ohio 43725

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2017, 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 15, 2018.

### ***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 report 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 15, 2018



# 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 THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited the Cambridge City School District's, Guernsey County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

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

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

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the 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, 2017.

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

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 15, 2018

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2017**

**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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Title I Grants to Local Education Agencies – CFDA # 84.010</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	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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# Dave Yost • Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2018**