



**Auditor of State  
Betty Montgomery**



**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

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

**Betty Montgomery**  
Auditor of State

April 17, 2006

## Cambridge City School District, Ohio

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005*

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The discussion and analysis of the Cambridge City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 notes to enhance their understanding of the School District's financial performance.

#### **Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- In total, net assets of governmental activities decreased \$2,586,462.
- The School District implemented phase I of reduction of expenditures in May 2005. The reduction totaled approximately \$1,800,000 and was effective for fiscal year 2006. Reductions will continue to be made by the School District as needed in attempts to balance the School District's budget.
- General revenues accounted for \$17,856,254 in revenue or 76% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$5,747,932 or 24% of total revenues of \$23,604,186.
- The School District had \$26,190,648 in expenses related to governmental activities; only \$5,747,932 of these expenses were offset by program specific charges for services, grants or contributions and interest.
- The School District has three major funds; the General Fund, the Bond Retirement Debt Service Fund, and the Project Construction Capital Projects Fund. The General Fund had \$18,428,425 in revenues and \$20,581,341 in expenditures. The General Fund's balance decreased \$2,163,651. The Bond Retirement Debt Service Fund had \$827,518 in revenues and \$657,189 in expenditures. The Bond Retirement Debt Service Fund had an increase in fund balance of \$170,329. The Project Construction Capital Projects Fund had \$54,426 in revenues and \$253,146 in expenditures. The Project Construction Fund's balance decreased \$198,720.

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

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

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

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. 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, the Bond Retirement Debt Service Fund, and the Project Construction Capital Projects Fund.

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



## Cambridge City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

### The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

(Table 1)  
Net Assets

	Governmental Activities		
	2005	2004	Change
<b>Assets</b>			
Current and Other Assets	\$12,972,355	\$14,408,004	(\$1,435,649)
Capital Assets, Net	46,775,773	47,703,059	(927,286)
<i>Total Assets</i>	<u>59,748,128</u>	<u>62,111,063</u>	<u>(2,362,935)</u>
<b>Liabilities</b>			
Current and Other Liabilities	8,279,272	7,805,056	474,216
Long-term Liabilities			
Due Within One Year	375,824	429,031	(53,207)
Due in More Than One Year	8,351,315	8,548,797	(197,482)
<i>Total Liabilities</i>	<u>17,006,411</u>	<u>16,782,884</u>	<u>223,527</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	39,588,794	40,266,080	(677,286)
Restricted	3,711,774	3,230,058	481,716
Unrestricted (Deficit)	(558,851)	1,832,041	(2,390,892)
<i>Total Net Assets</i>	<u>\$42,741,717</u>	<u>\$45,328,179</u>	<u>(\$2,586,462)</u>

Total assets decreased \$2,362,935. For governmental activities, \$2,084,800 of the decrease is accounted for in cash, cash equivalents, and investments due to the School District's expenses exceeding revenues received for the year, using up the cash balance. Depreciable Capital Assets, net of depreciation, also decreased by \$927,286, primarily due to building deletions and depreciation expense. Total receivables increased in the amount of \$742,212. The majority of this increase is due to a greater amount of taxes receivable at the end of fiscal year 2005.

Total liabilities increased \$223,527. The largest increase was \$682,402 in deferred revenue. The increase in deferred revenue is largely attributed to an increase in property taxes receivable. This increase was offset by a decrease in accounts payable by \$363,526.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, compared to June 30, 2004.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*

	Governmental	
	Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,251,972	\$1,296,829
Operating Grants, Contributions and Interest	4,423,588	3,986,522
Capital Grants and Contributions	72,372	16,534
Total Program Revenues	<u>5,747,932</u>	<u>5,299,885</u>
General Revenues		
Property Taxes	6,201,796	6,383,306
Grants and Entitlements	11,232,572	11,710,405
Interest	165,499	225,251
Miscellaneous	256,387	249,699
Total General Revenues	<u>17,856,254</u>	<u>18,568,661</u>
Total Revenues	<u>23,604,186</u>	<u>23,868,546</u>
<b>Program Expenses</b>		
Instruction:		
Regular	12,050,293	12,679,809
Special	2,881,607	2,992,681
Vocational	158,721	238,190
Support Services:		
Pupils	1,167,144	1,055,419
Instructional Staff	1,032,634	1,054,149
Board of Education	58,367	61,756
Administration	2,212,131	2,023,154
Fiscal	491,912	516,600
Business	92,927	221,157
Operation and Maintenance of Plant	2,484,618	2,162,112
Pupil Transportation	1,044,772	1,019,935
Central	163,107	277,543
Operation of Non-Instructional Services	1,279,555	1,301,252
Extracurricular Activities	633,693	656,338
Interest and Fiscal Charges	439,167	476,175
Total Expenses	<u>26,190,648</u>	<u>26,736,270</u>
Special Item - Loss on Disposal of Assets		(2,567,631)
Decrease in Net Assets	(2,586,462)	(5,435,355)
Net Assets Beginning of Year	45,328,179	50,763,534
Net Assets End of Year	<u>\$42,741,717</u>	<u>\$45,328,179</u>

## **Cambridge City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005*

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Property taxes made up approximately 26.3 percent of total revenues for governmental activities for Cambridge City School District. Of the remaining revenues, the School District receives 66.7 percent from state foundation and federal and state grants; 5.3 percent from charges for services; and 1.7 percent from interest, local entities, and miscellaneous sources.

58 percent of the School District's budget is used to fund instructional expenses. Support services make up 33 percent of expenses and 9 percent is used for interest and fiscal charges, extracurricular activities, and non-instructional services.

During the fiscal year, the School District experienced changes in the following: an 8 percent increase in health insurance costs, a 4 percent salary increase, increased open enrollment to other districts, increased workers compensation costs, as well as increased utility and fuel costs. Despite the salary and other increases, regular instruction went down significantly due to a reduction in force of two teaching positions and numerous retirements occurring during the fiscal year. These positions were replaced with lower paid employees.

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. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

## Cambridge City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005*

(Table 3)  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
<b>Program Expenses</b>				
Instruction:				
Regular	\$12,050,293	\$10,874,356	\$12,679,809	\$11,898,321
Special	2,881,607	809,433	2,992,681	982,991
Vocational	158,721	98,655	238,190	171,245
Support Services:				
Pupils	1,167,144	1,056,131	1,055,419	820,950
Instructional Staff	1,032,634	551,460	1,054,149	634,683
Board of Education	58,367	58,367	61,756	61,756
Administration	2,212,131	2,015,843	2,023,154	1,827,725
Fiscal	491,912	401,449	516,600	513,764
Business	92,927	92,927	221,157	221,157
Operation and Maintenance of Plant	2,484,618	2,475,092	2,162,112	2,144,118
Pupil Transportation	1,044,772	947,678	1,019,935	975,213
Central	163,107	139,832	277,543	248,165
Operation of Non-Instructional Services	1,279,555	112,156	1,301,252	136,955
Extracurricular Activities	633,693	370,170	656,338	403,964
Interest and Fiscal Charges	439,167	439,167	476,175	476,175
<b>Total</b>	<u>\$26,190,648</u>	<u>\$20,442,716</u>	<u>\$26,736,270</u>	<u>\$21,517,182</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 68 percent of total expenses are supported through taxes and other general revenues.

### The School District Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$18,428,425 and expenditures of \$20,581,341. The \$2,163,651 decrease in fund balance in the General Fund is primarily due to an 8 percent increase in health insurance costs, a 4 percent increase in salaries, open enrollment increases to other districts, and increased costs in utilities and fuel. The Bond Retirement Debt Service Fund had total revenues of \$827,518 and expenditures of \$657,189. The Bond Retirement Debt Service Fund experienced an increase in fund balance of \$170,329, due primarily to an increase in property taxes. The Project Construction Capital Projects Fund had total revenues of \$54,426 and expenditures of \$253,146. The \$198,720 decrease in fund balance in the Project Construction Capital Projects Fund is due to the School District's Ohio School Facilities Construction project continuing to resolve outstanding construction issues.

## Cambridge City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005*

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### **General Fund Budgeting Highlights**

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

During the course of fiscal 2005, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$18,386,203, \$58,903 above original estimates of \$18,327,300. The majority of this difference was due to new construction and property tax revenues. Expenditures of \$20,466,611 were \$834,922 above original appropriations of \$19,631,689. The majority of this difference is due to unanticipated legal expenditures, utility costs, and fuel expenditures.

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

#### **Capital Assets**

At the end of fiscal year 2005, the School District had \$46,775,773 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

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

	Governmental Activities	
	2005	2004
Land	\$5,031,339	\$5,031,339
Land Improvements	611,405	87,572
Buildings and Improvements	39,464,237	40,653,560
Furniture and Fixtures	477,995	308,987
Machinery and Equipment	756,916	762,384
Vehicles	433,881	524,980
Construction in Progress	0	334,237
Totals	<u>\$46,775,773</u>	<u>\$47,703,059</u>

In 2005, School District had capital projects that included a material amount of work on a new track facility as well as smaller miscellaneous projects which were a part of the Ohio School Facilities Commission project.

See Note 12 to the basic financial statements for more information on capital assets.

## **Cambridge City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005*

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### ***Debt***

At June 30, 2005, the School District had \$7,397,039 in general obligation bonds outstanding, of which \$270,000 is due within one year. See Note 15 to the basic financial statements for more information on debt.

### **Current Issues**

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

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

The School District has implemented reductions of approximately \$1,800,000 through fiscal year 2006. Due to the School District's current financial situation a substantial amount of additional reductions will be effective July 1, 2006. The School District is reviewing current programs and will use attrition as much as possible to reduce future costs. The School District will continue to monitor its financial situation and make reductions as necessary.

The School District's emergency levy generates \$1,455,000 each year. The levy expires on December 31, 2006 and revenues will cease December 31, 2007. The School District anticipates placing a levy on the ballot in November 2006. The Board of Education and administration are currently discussing what type of levy to place on the ballot.

The negotiated agreement for the classified staff expires December 31, 2006. The teaching staff has negotiated an agreement through June 30, 2007.

### **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 Tim Pickana, Treasurer at Cambridge City School District, 6111 Fairdale Road., Cambridge, Ohio 43725, or E-Mail at [cam\\_tim@omeres.net](mailto:cam_tim@omeres.net).

**Cambridge City School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,758,364
Cash and Cash Equivalents in Segregated Accounts	5,502
Cash and Cash Equivalents with Fiscal Agents	328,192
Investments in Segregated Accounts	14,919
Inventory Held for Resale	5,846
Materials and Supplies Inventory	42,203
Accounts Receivable	25,372
Intergovernmental Receivable	403,650
Property Taxes Receivable	7,188,307
Notes Receivable	200,000
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>41,744,434</u>
<i>Total Assets</i>	<u>59,748,128</u>
<b>Liabilities</b>	
Accounts Payable	88,973
Accrued Wages and Benefits Payable	2,242,194
Matured Compensated Absences Payable	170,751
Intergovernmental Payable	669,420
Accrued Interest Payable	30,230
Retainage Payable	7,601
Deferred Revenue	4,670,103
Claims Payable	400,000
Long-Term Liabilities:	
Due Within One Year	375,824
Due In More Than One Year	<u>8,351,315</u>
<i>Total Liabilities</i>	<u>17,006,411</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	39,588,794
Restricted for:	
Debt Service	805,740
Capital Projects	2,285,523
Other Purposes	545,850
Bus Purchase	72,372
Music Supplies:	
Non-Expendable	500
Expendable	1,789
Unrestricted (Deficit)	<u>(558,851)</u>
<i>Total Net Assets</i>	<u><u>\$42,741,717</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$12,050,293	\$603,336	\$572,601	\$0	(\$10,874,356)
Special	2,881,607	0	2,072,174	0	(809,433)
Vocational	158,721	0	60,066	0	(98,655)
Support Services:					
Pupils	1,167,144	0	111,013	0	(1,056,131)
Instructional Staff	1,032,634	0	481,174	0	(551,460)
Board of Education	58,367	0	0	0	(58,367)
Administration	2,212,131	0	196,288	0	(2,015,843)
Fiscal	491,912	0	90,463	0	(401,449)
Business	92,927	0	0	0	(92,927)
Operation and					
Maintenance of Plant	2,484,618	0	9,526	0	(2,475,092)
Pupil Transportation	1,044,772	0	24,722	72,372	(947,678)
Central	163,107	0	23,275	0	(139,832)
Operation of Non-Instructional					
Services	1,279,555	389,844	777,555	0	(112,156)
Extracurricular Activities	633,693	258,792	4,731	0	(370,170)
Interest and Fiscal Charges	439,167	0	0	0	(439,167)
<i>Totals</i>	<u>\$26,190,648</u>	<u>\$1,251,972</u>	<u>\$4,423,588</u>	<u>\$72,372</u>	<u>(20,442,716)</u>
<b>General Revenues</b>					
Property Taxes Levied For:					
					5,398,101
					724,298
					79,397
Grants and Entitlements not					
					11,232,572
Interest					
					165,499
Miscellaneous					
					256,387
<i>Total General Revenues</i>					<u>17,856,254</u>
<i>Change in Net Assets</i>					(2,586,462)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>45,328,179</u>
<i>Net Assets End of Year</i>					<u>\$42,741,717</u>

See accompanying notes to the basic financial statements



**Cambridge City School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Bond Retirement Fund	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$530,547	\$538,307	\$1,176,792	\$1,444,585	\$3,690,231
Cash and Cash Equivalents in Segregated Accounts	0	0	0	5,502	5,502
Cash and Cash Equivalents with Fiscal Agents	0	0	328,192	0	328,192
Investments in Segregated Accounts	14,919	0	0	0	14,919
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	72,372	0	0	0	72,372
Receivables:					
Property Taxes	6,246,723	843,640	0	97,944	7,188,307
Accounts	3,117	0	0	22,255	25,372
Intergovernmental	39,559	0	0	364,091	403,650
Interfund	66,453	0	0	1,725	68,178
Note	0	0	0	200,000	200,000
Inventory Held for Resale	0	0	0	5,846	5,846
Materials and Supplies Inventory	40,233	0	0	1,970	42,203
<i>Total Assets</i>	<u>\$7,013,923</u>	<u>\$1,381,947</u>	<u>\$1,504,984</u>	<u>\$2,143,918</u>	<u>\$12,044,772</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$67,542	\$0	\$0	\$21,431	\$88,973
Accrued Wages and Benefits Payable	1,878,556	0	0	363,638	2,242,194
Matured Compensated Absences Payable	170,751	0	0	0	170,751
Intergovernmental Payable	582,772	0	0	86,648	669,420
Interfund Payable	1,725	0	0	66,453	68,178
Retainage Payable	0	0	0	7,601	7,601
Deferred Revenue	4,522,400	608,239	0	313,499	5,444,138
<i>Total Liabilities</i>	<u>7,223,746</u>	<u>608,239</u>	<u>0</u>	<u>859,270</u>	<u>8,691,255</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	93,911	0	171,370	223,954	489,235
Reserved for Property Taxes	1,739,144	235,401	0	27,068	2,001,613
Reserved for Note Receivable	0	0	0	175,000	175,000
Reserved for Bus Purchase	72,372	0	0	0	72,372
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	(2,115,250)	0	0	0	(2,115,250)
Special Revenue Funds	0	0	0	481,882	481,882
Debt Service Funds	0	538,307	0	0	538,307
Capital Projects Funds	0	0	1,333,614	374,455	1,708,069
Permanent Fund	0	0	0	2,289	2,289
<i>Total Fund Balances (Deficit)</i>	<u>(209,823)</u>	<u>773,708</u>	<u>1,504,984</u>	<u>1,284,648</u>	<u>3,353,517</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,013,923</u>	<u>\$1,381,947</u>	<u>\$1,504,984</u>	<u>\$2,143,918</u>	<u>\$12,044,772</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

<b>Total Governmental Fund Balances</b>		<b>\$3,353,517</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,775,773
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Notes Receivable	200,000	
Property Taxes	516,591	
Grants	36,940	
Student Fees	<u>20,504</u>	774,035
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.		(30,230)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(7,186,979)	
Accretion on Bonds	(210,060)	
Compensated Absences Payable	<u>(1,330,100)</u>	(8,727,139)
An internal service fund is used by management to charge to costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		<u>595,761</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$42,741,717</u></u></b>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement Fund	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$5,563,142	\$737,816	\$0	\$82,540	\$6,383,498
Intergovernmental	12,108,317	89,702	0	3,401,148	15,599,167
Interest	87,344	0	42,325	23,928	153,597
Tuition and Fees	603,336	0	0	54,752	658,088
Extracurricular Activities	3,146	0	0	255,646	258,792
Gifts and Donations	600	0	0	10,047	10,647
Customer Sales and Services	0	0	0	389,844	389,844
Miscellaneous	62,540	0	12,101	21,911	96,552
<i>Total Revenues</i>	<u>18,428,425</u>	<u>827,518</u>	<u>54,426</u>	<u>4,239,816</u>	<u>23,550,185</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	11,141,053	0	0	552,592	11,693,645
Special	1,394,031	0	0	1,345,061	2,739,092
Vocational	189,240	0	0	0	189,240
Support Services:					
Pupils	961,074	0	0	115,811	1,076,885
Instructional Staff	542,673	0	0	499,021	1,041,694
Board of Education	56,123	0	0	0	56,123
Administration	1,904,904	0	0	202,352	2,107,256
Fiscal	465,795	19,601	0	2,324	487,720
Business	96,862	0	0	0	96,862
Operation and Maintenance of Plant	2,401,372	0	0	28,891	2,430,263
Pupil Transportation	1,027,357	0	0	0	1,027,357
Central	79,233	0	0	49,781	129,014
Operation of Non-Instructional Services	3,287	0	0	1,181,209	1,184,496
Extracurricular Activities	317,233	0	0	266,580	583,813
Capital Outlay	1,104	0	253,146	487,109	741,359
Debt Service:					
Principal Retirement	0	250,000	0	0	250,000
Interest and Fiscal Charges	0	387,588	0	0	387,588
<i>Total Expenditures</i>	<u>20,581,341</u>	<u>657,189</u>	<u>253,146</u>	<u>4,730,731</u>	<u>26,222,407</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>(2,152,916)</u>	<u>170,329</u>	<u>(198,720)</u>	<u>(490,915)</u>	<u>(2,672,222)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	0	0	0	240,560	240,560
Transfers In	262	0	0	10,997	11,259
Transfers Out	(10,997)	0	0	(262)	(11,259)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,735)</u>	<u>0</u>	<u>0</u>	<u>251,295</u>	<u>240,560</u>
<i>Net Change in Fund Balances</i>	<u>(2,163,651)</u>	<u>170,329</u>	<u>(198,720)</u>	<u>(239,620)</u>	<u>(2,431,662)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,953,828</u>	<u>603,379</u>	<u>1,703,704</u>	<u>1,524,268</u>	<u>5,785,179</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$209,823)</u>	<u>\$773,708</u>	<u>\$1,504,984</u>	<u>\$1,284,648</u>	<u>\$3,353,517</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*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, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** (\$2,431,662)

*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 exceeded capital outlays:

Capital Asset Additions	629,485	
Depreciation Expense	<u>(1,276,046)</u>	(646,561)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The net effect is to decrease net assets. (80,725)

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

Student Fees	20,504	
Grants	36,940	
Delinquent Taxes	<u>(181,702)</u>	(124,258)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 250,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Discounts are reported as expenditures when debt is first issued; however, this amount is amortized on the statement of activities:

Annual Accretion	(52,540)	
Interest Payable	<u>961</u>	(51,579)

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:

Intergovernmental Payable	178,602	
Compensated Absences Payable	<u>53,229</u>	231,831

The internal service fund used by management to charge the costs of insurance to individual fund. The net revenue (expense) of the internal service fund is reported with governmental activities. 266,492

*Change in Net Assets of Governmental Activities* (\$2,586,462)

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$5,375,000	\$5,603,905	\$5,594,635	(\$9,270)
Intergovernmental	12,117,000	12,102,957	12,096,382	(6,575)
Interest	125,300	90,300	84,940	(5,360)
Tuition and Fees	680,000	594,406	583,375	(11,031)
Extracurricular Activities	0	3,000	3,036	36
Gifts and Donations	5,000	1,000	600	(400)
Miscellaneous	25,000	25,000	23,235	(1,765)
<i>Total Revenues</i>	<u>18,327,300</u>	<u>18,420,568</u>	<u>18,386,203</u>	<u>(34,365)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,232,491	11,580,913	10,982,282	598,631
Special	1,396,016	1,404,516	1,403,669	847
Vocational	247,400	187,750	187,308	442
Support Services:				
Pupils	812,625	919,666	919,157	509
Instructional Staff	486,576	499,616	498,253	1,363
Board of Education	60,910	60,400	58,804	1,596
Administration	1,921,633	1,854,111	1,853,878	233
Fiscal	504,987	471,987	471,070	917
Business	199,100	101,600	98,914	2,686
Operation and Maintenance of Plant	2,283,832	2,439,566	2,438,601	965
Pupil Transportation	1,006,060	1,032,983	1,012,585	20,398
Central	147,973	207,773	207,697	76
Operation of Non-Instructional Services	6,244	6,494	3,530	2,964
Extracurricular Activities	323,842	335,500	329,759	5,741
Capital Outlay	2,000	2,000	1,104	896
<i>Total Expenditures</i>	<u>19,631,689</u>	<u>21,104,875</u>	<u>20,466,611</u>	<u>638,264</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,304,389)</u>	<u>(2,684,307)</u>	<u>(2,080,408)</u>	<u>603,899</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	250	250	0	(250)
Refund of Prior Year Expenditures	5,000	36,000	35,345	(655)
Refund of Prior Year Receipts	0	(5,000)	(347)	4,653
Transfers In	750,000	1,000,000	262	(999,738)
Transfers Out	(751,000)	(762,000)	(10,997)	751,003
Advances Out	0	(70,000)	(66,453)	3,547
<i>Total Other Financing Sources (Uses)</i>	<u>4,250</u>	<u>199,250</u>	<u>(42,190)</u>	<u>(241,440)</u>
<i>Net Change in Fund Balance</i>	<u>(1,300,139)</u>	<u>(2,485,057)</u>	<u>(2,122,598)</u>	<u>362,459</u>
<i>Fund Balance Beginning of Year</i>	2,339,609	2,339,609	2,339,609	0
Prior Year Encumbrances Appropriated	199,647	199,647	199,647	0
<i>Fund Balance End of Year</i>	<u>\$1,239,117</u>	<u>\$54,199</u>	<u>\$416,658</u>	<u>\$362,459</u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2005*

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	Self-Insurance Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$995,761</u>
<b>Current Liabilities</b>	
Claims Payable	<u>400,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$595,761</u></u>

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Self-Insurance Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,367,460
<b>Operating Expenses</b>	
Purchased Services	264,627
Claims	2,854,765
<i>Total Operating Expenses</i>	3,119,392
<i>Operating Income</i>	248,068
<b>Non-Operating Revenues</b>	
Interest	18,424
<i>Net Change in Net Assets</i>	266,492
<i>Net Assets Beginning of Year</i>	329,269
<i>Net Assets End of Year</i>	\$595,761

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2005

	Self-Insurance Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,367,460
Cash Payments for Goods and Services	(264,627)
Cash Payments for Claims	(2,905,765)
Net Cash Provided by Operating Activities	197,068
<b>Cash Flows from Investing Activities</b>	
Interest	18,424
<i>Net Increase in Cash and Cash Equivalents</i>	215,492
<i>Cash and Cash Equivalents Beginning of Year</i>	780,269
<i>Cash and Cash Equivalents End of Year</i>	\$995,761
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$248,068
Changes in Liabilities:	
Decrease in Claims Payable	(51,000)
Net Cash Provided by Operating Activities	\$197,068

See accompanying notes to the basic financial statements



**Cambridge City School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2005*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$444,597	\$46,818
<b>Liabilities</b>		
Due to Students	0	\$46,818
<b>Net Assets</b>		
Restricted for Endowments	289,182	
Held in Trust for Scholarships	155,415	
Total Net Assets	\$444,597	

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2005*

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$8,720
Interest	<u>11,941</u>
Total Additions	20,661
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>10,121</u>
Change in Net Assets	10,540
Net Assets Beginning of Year - Restated (See Note 3)	<u>434,057</u>
Net Assets End of Year	<u><u>\$444,597</u></u>

See accompanying notes to the basic financial statements

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional facilities and two support facilities staffed by 138 classified employees and 217 certified personnel, who provide services to 2,639 students and other community members.

The Superintendent of Public Instruction declared the Cambridge City School District in a state of fiscal caution effective February 16, 2006.

#### ***Reporting Entity***

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

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

The School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency (OME RESA), the Mid East Career and Technology Centers, the Coalition of Rural and Appalachian Schools (CORAS), the Metropolitan Educational Council (MEC), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **A. Basis of Presentation**

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

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

The statement of net assets presents the financial condition of the governmental 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, 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 governmental function is self-financing or draws from the general revenues of the School District.

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

### **B. Fund Accounting**

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

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

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

***Project Construction Fund*** The Project Construction Capital Projects Fund is used to account for Ohio School Facilities monies used by the School District for building and equipping classroom facilities.

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

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

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

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

### ***C. Measurement Focus***

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

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

### ***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

### ***E. Cash and Cash Equivalents***

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

The School District has segregated bank accounts for athletic activities. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not deposited into the School District treasury.

Cash and cash equivalents that are held separately for the School District by fiscal agents and not held with the School District Treasurer are recorded as "Cash and Cash Equivalents with Fiscal Agents," and represents the State's share of the Ohio School Facilities monies.

During fiscal year 2005, investments were limited to StarOhio (the State Treasurer's Investment Pool) and common stock, which is reported at market value as of June 30, 2005.

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 2005 amounted to \$87,344, which includes \$47,888 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 of more than three months, not purchased from the pool, are reported as investments.

### ***F. 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.

### ***G. Capital Assets***

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

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

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

***H. 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 in the governmental activities column of the statement of net assets.

***I. 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 represent unexpended revenues restricted for the purchase of buses.

***J. Compensated Absences***

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

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.

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.



**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 are recognized as a liability on the governmental fund financial statements when due or when resources are available.

***L. Interfund Activity***

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.

***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, notes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$3,709,485 of restricted net assets, of which \$1,121,725 are restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for music and athletic programs, and local, federal, and state grants restricted to expenditure for specified purposes.

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

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***O. 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 for 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.

### ***P. 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.

### ***Q. 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.

### ***R. Budgetary Process***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

In accordance with the Ohio Revised Code, the Guernsey County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method which has been approved by the County's school districts. Under this alternative method, the County Budget Commission has waived the requirement for the School District to adopt a tax budget. The County Budget Commission requires the School District file a five year forecast, ending cash balance by fund report and expenditures and receipts by fund report with the County Auditor at the end of their fiscal year.

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.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 3 - Changes in Accounting Principles and Restatement of Prior Year Balances**

**A. Accounting Principles** For fiscal year 2005, the School District has implemented GASB Statement No. 40 “Deposit and Investment Risk Disclosures”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation,” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 40 modifies the disclosure requirement for deposit and investment risks. See Note 6 “Deposits and Investments” for the required disclosures.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40, GASB Statement No. 46, and GASB Technical Bulletin No. 2004-2 had no effect on the School District’s financial statements for fiscal year 2005.

**B. Restatement of Prior Year Balances** During fiscal year 2005, the School District discovered that it had misclassified funds in the prior year, had misstated capital assets and had understated accrued interest payable. The adjustments had the following effects on net assets as it was previously reported at June 30, 2004:

	Governmental Activities	Nonmajor Funds	Private Purpose Trust
Net Assets as Previously Reported	\$45,337,359	\$1,443,471	\$514,854
Fund Reclassification	80,797	80,797	(80,797)
Capital Assets	(58,786)	0	0
Accrued Interest Payable	(31,191)	0	0
Adjusted Net Assets as of June 30, 2004	<u>\$45,328,179</u>	<u>\$1,524,268</u>	<u>\$434,057</u>

**Note 4 - Fund Deficits**

At June 30, 2005, the General Fund and the State Grants Special Revenue Fund had fund deficits of \$209,823 and \$59,351, respectively. The deficits were created by the application of generally accepted accounting principles and the primary cause of the deficit balances were liabilities for accrued wages and benefits and intergovernmental payables. The General Fund is liable for any deficit in the special revenue fund and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
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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 reservation of fund balance (GAAP basis).
4. Unreported items represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	(\$2,163,651)
Net Adjustment for Revenue Accruals	48,678
Unreported Items End of Fiscal Year	(55,555)
Prepaid Items Beginning of Fiscal Year	5,133
Net Adjustment for Expenditure Accruals	254,875
Advances Out	(66,453)
Adjustment for Encumbrances	(145,625)
Budget Basis	<u><u>(\$2,122,598)</u></u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

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

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

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); 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.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,648,707 of the School District's bank balance of \$5,853,120 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 requirement could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial 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.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Investments** As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool, except for the common stock, which was held separately.

	<u>Fair Value</u>	<u>Maturity</u>
Bank One Corporation Common Stock	\$14,919	N/A
STAROhio	<u>15,771</u>	33 Days
Total	<u><u>\$30,690</u></u>	

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the investment policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices, other than what has been approved by State statute.

**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.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 51% is invested in Star Ohio and 49% is invested in Bank One Corporation Common Stock.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property

**Cambridge City School District, Ohio**

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is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005, 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 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred. The amount available as an advance at June 30, 2005, was \$2,001,613. \$1,739,144 was available in the General Fund, \$27,068 in the Classroom Facilities Maintenance Special Revenue Fund, and \$235,401 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2004, was \$2,019,174. \$1,770,637 was available in the General Fund, \$29,413 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$219,124 was available in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$168,839,370	81.33%	\$169,659,980	80.52%
Public Utility Personal	14,584,810	7.03%	15,652,400	7.43%
Tangible Personal Property	24,172,760	11.64%	25,388,340	12.05%
Total	<u>\$207,596,940</u>	<u>100.00%</u>	<u>\$210,700,720</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of assessed valuation	 \$40.30		 \$39.90	

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of property taxes, accounts (student fees, donations, and tuition), interfund, notes, 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. All receivables are expected to be collected within one year except for the note receivable.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
CAFS	\$18,790
School Lunch	86,674
Tuition	19,961
Ohio Reads	2,331
Student Intervention	709
Idea-Part B	71,830
Title I	107,277
Title V	6,033
Safe and Drug Free	4,373
Reading First	84,864
Other	808
Total	<u><u>\$403,650</u></u>

The School District issued an interest free note receivable for the sale of its old high school for \$225,000 to the local YMCA. The note is to be paid in \$25,000 increments for nine years. The first payment was received during fiscal year 2005. A balance of \$200,000 remains on the note at fiscal year end.

**Note 9 - Interfund Activity**

**A. Transfers**

During fiscal year 2005, the General Fund transferred \$10,000 to the State Grants Special Revenue Fund and \$997 to the District Managed Activities Special Revenue Fund. The transfer to the State Grants Fund was to eliminate and close the Disadvantaged Pupil Impact Aid (DPIA) Fund, a fund combined with the State Grants Fund. The transfer to the District Managed Activities Fund was to cover additional expenditures of the program not covered by fees. The State Grants Special Revenue Fund transferred \$262 to the General Fund because too much money had been transferred to it from the General Fund to close the DPIA Fund.

**B. Balances**

At June 30, 2005, the General Fund had an interfund receivable resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by Special Revenue Funds. The School Support and District Managed Activities Special Revenue Funds had interfund receivables resulting from interest allocation due to them from the General Fund.



**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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	Interfund Receivables	Interfund Payables
General	<u>\$66,453</u>	<u>\$1,725</u>
Special Revenue Funds:		
School Support	413	0
District Managed Activities	1,312	0
State Grants	0	2,127
Federal Grants	<u>0</u>	<u>64,326</u>
Total Special Revenue	<u>1,725</u>	<u>66,453</u>
Total All Funds	<u><u>\$68,178</u></u>	<u><u>\$68,178</u></u>

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Selective Insurance Company through Marsh USA, Inc. for property and fleet insurance, vehicles, boiler and machinery coverage and professional liability. General liability is protected with a \$5,000,000 aggregate and no deductible. Vehicles are covered also by Indiana Insurance Company and hold a \$1,000 deductible for both comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

***B. Workers' Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
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**C. Employee Medical Benefits**

The School District maintains a self funded insurance program through Professional Claims Management for dental and medical coverage. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums are \$507.67 monthly for single and \$1,134.65 monthly for family. The dental coverage premiums are \$60 monthly for both single and family. The coverage is offered to all School District employees with the School District paying approximately ten percent of the premiums.

The claims liability of \$400,000 reported in the internal service fund at June 30, 2005, 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 the fund's claims liability amount in fiscal years 2004 and 2005 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2004	\$390,000	\$2,490,111	\$2,429,111	\$451,000
2005	451,000	2,854,765	2,905,765	400,000

**Note 11 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for certified employees and 230 days for classified employees.

Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 160 unused sick leave days, or a maximum payment of 40 days, plus one day of severance pay for each ten days of accumulated sick leave beyond 160 days.

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

**B. Life Insurance**

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 12 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance			Balance
	6/30/04	Additions	Reductions	6/30/05
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Construction in Progress	334,237	357,347	(691,584)	0
Total capital assets not being depreciated	<u>5,365,576</u>	<u>357,347</u>	<u>(691,584)</u>	<u>5,031,339</u>
Capital assets being depreciated				
Land Improvements	112,997	543,059	0	656,056
Buildings and Improvements	43,625,170	166,849	(1,234,280)	42,557,739
Furniture and Fixtures	316,910	188,782	0	505,692
Machinery and Equipment	1,104,718	65,032	0	1,169,750
Vehicles	1,388,734	0	0	1,388,734
Total capital assets being depreciated	<u>46,548,529</u>	<u>963,722</u>	<u>(1,234,280)</u>	<u>46,277,971</u>
Accumulated depreciation				
Land Improvements	(25,425)	(19,226)	0	(44,651)
Buildings and Improvements	(2,971,610)	(1,075,447)	953,555	(3,093,502)
Furniture and Fixtures	(7,923)	(19,774)	0	(27,697)
Machinery and Equipment	(342,334)	(70,500)	0	(412,834)
Vehicles	(863,754)	(91,099)	0	(954,853)
Total accumulated depreciation	<u>(4,211,046)</u>	<u>(1,276,046)</u>	<u>953,555</u>	<u>(4,533,537)</u>
Capital assets being depreciated, net	<u>42,337,483</u>	<u>(312,324)</u>	<u>(280,725)</u>	<u>41,744,434</u>
Governmental Activities capital assets, net	<u>\$47,703,059</u>	<u>\$45,023</u>	<u>(\$972,309)</u>	<u>\$46,775,773</u>

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$530,031
Special	120,963
Vocational	19,587
Support Services:	
Pupils	52,439
Instructional Staff	46,673
Board of Education	2,244
Administration	109,080
Fiscal	26,320
Business	6,121
Operation and Maintenance of Plant	89,150
Pupil Transportation	88,804
Central	30,121
Extracurricular Activities	43,786
Operation of Non-Instructional Services	110,727
Total Depreciation Expense	<u><u>\$1,276,046</u></u>

**Note 13 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$410,831, \$256,278, and \$153,322, respectively; 53.65 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$1,635,024, \$1,281,265, and \$966,940, respectively; 82.10 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,200 made by the School District and \$12,242 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 14 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$125,771 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$133,316 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>6/30/05</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
2000 School Facilities					
Construction and Improvement GO Bonds:					
Serial Bonds - 4.20-5.40%	\$3,420,000	\$0	\$250,000	\$3,170,000	\$270,000
Term Bonds - 5.70-5.75%	3,790,000	0	0	3,790,000	0
Original Issue of Capital Appreciation					
Bonds - 13.21%	226,979	0	0	226,979	0
Accretion on Capital Appreciation Bonds	<u>157,520</u>	<u>52,540</u>	<u>0</u>	<u>210,060</u>	
Total Bonds	<u>7,594,499</u>	<u>52,540</u>	<u>250,000</u>	<u>7,397,039</u>	<u>270,000</u>
Compensated Absences	<u>1,383,329</u>	<u>200,707</u>	<u>253,936</u>	<u>1,330,100</u>	<u>105,824</u>
Total Governmental Activities	<u>\$8,977,828</u>	<u>\$253,247</u>	<u>\$503,936</u>	<u>\$8,727,139</u>	<u>\$375,824</u>

Sick leave and vacation benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Lunchroom Special Revenue Fund, Auxillary Services Special Revenue Fund, and Federal Grants Special Revenue Fund.

On April 18, 2000, the Cambridge City School District issued \$8,231,979 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The liability for the bonds is recorded in the Statement of Net Assets with the annual principal and interest requirements retired from the debt service fund. Principal outstanding, including the accretion at June 30, 2005, amounted to \$7,397,039. The bond issue consisted of serial, term, and capital appreciation bonds.

The term bonds that mature in the year 2020 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2016, and on each December 1<sup>st</sup> thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2016	\$455,000
2017	480,000
2018	510,000
2019	540,000

Unless otherwise called for redemption, the remaining \$570,000 principal amount of the bonds due December 1, 2020 is to be paid at stated maturity.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

The term bonds due December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, and on each December 1<sup>st</sup> thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2021	\$600,000

Unless otherwise called for redemption, the remaining \$635,000 principal amount of the bonds due December 1, 2022 is to be paid at stated maturity.

The serial bonds maturing on December 1, 2011, and thereafter are subject to optional redemption, in whole or in part of any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2010, at the redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds mature December 1, 2007 and 2008. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. The maturity of the bonds is \$640,000. For the fiscal year 2005, \$52,540 was accreted for a total bond value of \$437,039.

The overall debt margin of the School District as of June 30, 2005, was \$18,963,065, with an unvoted debt margin of \$11,776,086.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$270,000	\$374,910	\$0	\$0	\$0	\$0
2007	290,000	361,118	0	0	0	0
2008	0	0	0	0	120,739	553,201
2009	0	0	0	0	106,240	567,700
2010	320,000	345,780	0	0	0	0
2011-2015	1,855,000	1,456,227	0	0	0	0
2016-2020	435,000	228,393	1,985,000	648,421	0	0
2021-2023	0	0	1,805,000	159,275	0	0
Total	<u>\$3,170,000</u>	<u>\$2,766,428</u>	<u>\$3,790,000</u>	<u>\$807,696</u>	<u>\$226,979</u>	<u>\$1,120,901</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.



## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 16 - Jointly Governed Organizations**

#### ***A. Ohio Mid-Eastern Regional Education Service Agency***

The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coschocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The total amount paid to OME-RESA from the School District for the fiscal year 2005 was \$64,909.

The governing board of OME-RESA is selected by the member districts. OME-RESA possesses its own budgeting, appropriating, contracting and designating management. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Boulevard, Steubenville, Ohio 43952.

#### ***B. Mid-East Career and Technology Centers***

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2005, the School District made no payments to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

#### ***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$345 for fiscal year 2005.

#### ***D. Metropolitan Educational Council***

The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in Ohio. The organization is composed of over 135 members. The governing board is comprised of either the superintendent or his or her designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school district pays a membership fee to MEC to cover the costs of administering the program.

## **Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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The School District's membership fee was \$1,000 for fiscal year 2005. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, fiscal officer, 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

### ***E. East Central Ohio Special Education Regional Resource Center***

The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education service center which selects its own board, adopts its own budget, and receives direct federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2005, the School District made no payments to ECO SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

### **Note 17 - Insurance Purchasing Pool**

#### ***Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan'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 districts pay an enrollment fee to the Plan to cover the costs of administering the Plan.

### **Note 18 - Contingencies**

#### ***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

#### ***B. Litigation***

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Note 19 - Set-Asides**

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

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

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	(\$4,407,658)	(\$182,041)
Current Year Set-aside Requirement	384,725	384,725
Qualifying Expenditures	0	(226,648)
Qualifying Offsets	(721,539)	0
Total	<u>(\$4,744,472)</u>	<u>(\$23,964)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$4,744,472)</u>	<u>(\$23,964)</u>

The School District had qualifying expenditures and offsets during the fiscal year and carryforwards that reduced the capital improvements and textbook/instructional materials set-asides below zero. These extra amounts may be used to reduce the set-aside requirements of future fiscal years.

**Note 20 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. Total endowments, representing the principal portion are \$289,182. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$155,415 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowments, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

**Note 21 - Subsequent Events**

On August 30, 2005, the School District issued \$5,065,000 in Current Interest Refunding Bonds (serial bonds), with interest rates from 3.25% to 4.00% and maturing December 1, 2005 through 2022, and \$140,000 Capital Appreciation Refunding Bonds to finance the calling of \$5,605,000 of Serial Bonds and \$140,000 of Capital Appreciation Bonds. These bonds were originally issued to pay the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The School District chose to refinance this debt to take advantage of low interest rates and reduce the interest payments for this debt by \$508,360 over the life of the bonds.

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$0	\$100,491	\$0	\$100,491
School Breakfast Program	043695-05PU-2005	10.553	114,784		114,784	
National School Lunch Program	043695-LLP4-2005	10.555	<u>422,551</u>		<u>422,551</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>537,335</u>	<u>100,491</u>	<u>537,335</u>	<u>100,491</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	043695-C1S1-2005	84.010	919,736		973,073	
Special Education_Grants to States	043695-6BSF-2005	84.027	475,200		494,707	
Safe and Drug-Free Schools and Communities_State Grants	043695-DRS1-2005	84.186	13,752		17,219	
Innovative Education Program Strategies	043695-C2S1-2005	84.298	4,731		3,386	
Education Technology State Grants	043695-TJS1-2005	84.318	25,491		24,806	
Reading First State Grants	043695-RSS1-2005	84.357	365,648		374,950	
Rural Education	043695-RUS1-2005	84.358	81,291		82,245	
Improving Teacher Quality State Grants	043695-TRS1-2005	84.367	<u>210,931</u>		<u>196,141</u>	
Total U.S. Department of Education			<u>2,096,780</u>	<u>0</u>	<u>2,166,527</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	2,444		2,444	
Medical Assistance Program	N/A	93.778	<u>38,773</u>		<u>38,773</u>	
Total U.S. Department of Health and Human Services			<u>41,217</u>	<u>0</u>	<u>41,217</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$2,675,332</u></b>	<b><u>\$100,491</u></b>	<b><u>\$2,745,079</u></b>	<b><u>\$100,491</u></b>

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

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - TRANSFERS**

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfers due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.010	043695-C1S1-2004		<u>\$50,561</u>
84.010	043695-C1S1-2005	<u>\$50,561</u>	
Total		<u>\$50,561</u>	<u>\$50,561</u>



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated April 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matter we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated April 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

April 17, 2006





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Cambridge City School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated April 17, 2006.

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

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

**Betty Montgomery**  
Auditor of State

April 17, 2006

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster, C.F.D.A.#'s 10.550, 10.553, and 10.555 Reading First State Grants, C.F.D.A. #84.357
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 SECTION .315(b)  
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> : <b><i>Explain:</i></b>
2004-001	Finding for Recovery regarding petty cash fund.	No	Not corrected; Finding has not yet been repaid.
2004-002	Finding for Recovery regarding deposits into the Cambridge Adult Softball Association's account.	Yes	Corrected; Finding was repaid under audit.
2004-003	Ohio Rev. Code Section 102.03(E) regarding accepting gifts from a vendor.	N/A	Finding not applicable for year ended June 30, 2005.





**Auditor of State  
Betty Montgomery**

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 18, 2006**