



Mary Taylor, CPA  
Auditor of State



**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities ..	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund .....	17
Statement of Fund Net Assets – Internal Service Fund .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund .....	19
Statement of Cash Flows – Internal Service Fund .....	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund ...	22
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures .....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
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 .....	53
Schedule of Findings - OMB Circular A-133 Section .505 .....	55

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2007, 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 and for the year ended June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on February 16, 2006 due to a projected General Fund deficit for fiscal years 2006 through 2010. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, 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.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 28, 2007

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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The discussion and analysis of the Cambridge City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities decreased \$762,969.
- General revenues accounted for \$16,385,771 in revenue or 71% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$6,648,360 or 29% of total revenues of \$23,034,131.
- The School District had \$23,797,100 in expenses related to governmental activities; only \$6,648,360 of these expenses were offset by program specific charges for services, grants or contributions and interest.

**Using this Annual Financial Report**

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

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

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" 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.

## Cambridge City School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007*

Unaudited

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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 funds begin on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, 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, 2007*  
 Unaudited

**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 2007 compared to 2006.

(Table 1)  
 Net Assets

	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$12,908,037	\$13,002,440	(\$94,403)
Capital Assets, Net	44,365,146	45,641,214	(1,276,068)
<i>Total Assets</i>	<u>57,273,183</u>	<u>58,643,654</u>	<u>(1,370,471)</u>
<b>Liabilities</b>			
Current and Other Liabilities	7,137,585	7,443,588	(306,003)
Long-Term Liabilities			
Due Within One Year	287,097	446,757	(159,660)
Due in More Than One Year	7,874,906	8,016,745	(141,839)
<i>Total Liabilities</i>	<u>15,299,588</u>	<u>15,907,090</u>	<u>(607,502)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	38,515,949	39,460,455	(944,506)
Restricted	3,687,004	3,059,896	627,108
Unrestricted (Deficit)	(229,358)	216,213	(445,571)
<i>Total Net Assets</i>	<u>\$41,973,595</u>	<u>\$42,736,564</u>	<u>(\$762,969)</u>

Total assets decreased \$1,370,471. This is mainly attributed to a decrease in depreciable capital assets, net of depreciation, of \$1,276,068. This decrease is due to depreciation expense. Cash and Cash Equivalents also decreased in the amount of \$431,766. This decrease is mainly due to the School District not receiving a tax advance during fiscal year 2007 as it had done during fiscal year 2006. Total liabilities decreased \$607,502. The largest decrease in current liabilities was \$189,000 in claims payable. The decrease in claims payable is largely attributed to a healthy plan year. A decrease was also seen in long-term liabilities. This decrease is largely attributable to bond payments made during fiscal year 2007 in the amount of \$370,000.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, compared to June 30, 2006.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

(Table 2)  
 Changes in Net Assets

	Governmental Activities		Change
	2007	2006	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,338,049	\$1,348,352	(\$10,303)
Operating Grants, Contributions and Interest	5,291,941	4,545,725	746,216
Capital Grants and Contributions	18,370	49,479	(31,109)
Total Program Revenues	<u>6,648,360</u>	<u>5,943,556</u>	<u>704,804</u>
General Revenues			
Property Taxes	4,672,641	8,416,347	(3,743,706)
Grants and Entitlements	11,417,306	11,272,199	145,107
Interest	227,556	131,674	95,882
Miscellaneous	68,268	56,822	11,446
Total General Revenues	<u>16,385,771</u>	<u>19,877,042</u>	<u>(3,491,271)</u>
Total Revenues	<u>23,034,131</u>	<u>25,820,598</u>	<u>(2,786,467)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	10,953,797	11,474,385	(520,588)
Special	2,496,314	2,871,403	(375,089)
Vocational	101,408	89,079	12,329
Intervention	251,543	289,530	(37,987)
Support Services:			
Pupils	955,370	1,165,800	(210,430)
Instructional Staff	1,070,432	1,007,454	62,978
Board of Education	62,450	55,307	7,143
Administration	1,468,673	1,858,226	(389,553)
Fiscal	521,555	513,512	8,043
Business	221,434	171,725	49,709
Operation and Maintenance of Plant	2,230,148	2,810,006	(579,858)
Pupil Transportation	1,052,013	1,028,793	23,220
Central	172,605	246,774	(74,169)
Operation of Non-Instructional Services:			
Food Service Operations	1,294,585	1,245,282	49,303
Other Non-Instructional Services	104,531	118,595	(14,064)
Extracurricular Activities	513,169	586,420	(73,251)
Interest and Fiscal Charges	327,073	293,476	33,597
Total Expenses	<u>23,797,100</u>	<u>25,825,767</u>	<u>(2,028,667)</u>
Change in Net Assets	(762,969)	(5,169)	(757,800)
Net Assets Beginning of Year	42,736,564	42,741,733	(5,169)
Net Assets End of Year	<u>\$41,973,595</u>	<u>\$42,736,564</u>	<u>(\$762,969)</u>

**Cambridge City School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007*

Unaudited

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Property taxes made up approximately 29 percent of general revenues for governmental activities for the School District. Of the remaining revenues, the School District receives 70 percent from state foundation and federal and state grants, and 1 percent from interest and miscellaneous receipts. The School District experienced a decreased in property taxes from fiscal year 2006 to fiscal year 2007. This decrease is due to the School District receiving a tax advance during fiscal year 2006 that inflated property tax revenue. No tax advances were received by the School District during fiscal year 2007.

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: increased open enrollment to other districts, decreased ADM, as well as increased utility and fuel costs. Despite the salary and other increases, regular instruction decreased due to a reduction in force of teaching positions and retirements occurring during the fiscal year. Several of these positions were reduced while other positions were filled with lower paid entry level teachers.

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, 2007*  
 Unaudited

(Table 3)  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,953,797	\$9,299,078	\$11,474,385	\$9,997,060
Special	2,496,314	604,836	2,871,403	1,033,999
Vocational	101,408	(12,843)	89,079	40,587
Intervention	251,543	233,157	289,530	254,791
Support Services:				
Pupils	955,370	811,219	1,165,800	1,053,540
Instructional Staff	1,070,432	117,086	1,007,454	462,265
Board of Education	62,450	51,597	55,307	55,307
Administration	1,468,673	1,328,786	1,858,226	1,751,670
Fiscal	521,555	500,059	513,512	412,113
Business	221,434	221,434	171,725	171,725
Operation and Maintenance of Plant	2,230,148	2,145,243	2,810,006	2,800,446
Pupil Transportation	1,052,013	1,033,643	1,028,793	1,008,990
Central	172,605	145,026	246,774	167,211
Operation of Non-Instructional Services				
Food Service Operations	1,294,585	100,286	1,245,282	59,643
Other Non-Instructional Services	104,531	493	118,595	32,549
Extracurricular Activities	513,169	242,567	586,420	286,839
Interest and Fiscal Charges	327,073	327,073	293,476	293,476
<b>Total</b>	<b>\$23,797,100</b>	<b>\$17,148,740</b>	<b>\$25,825,767</b>	<b>\$19,882,211</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 72 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 \$17,225,063 and expenditures of \$18,068,352. The fund balance of the General Fund decreased \$843,289 from fiscal year 2006 due to decreases in property taxes and intergovernmental revenue.

The Bond Retirement Building Project Debt Service Fund had total revenues of \$714,607 and expenditures of \$657,600. The Bond Retirement Building Project Debt Service Fund experienced an increase in fund balance of \$57,007. The Project Construction Capital Projects Fund had total revenues of \$60,265 and expenditures of \$16,403. The fund balance of the Project Construction Capital Projects Fund increased \$43,862 due to increased interest revenue and decreased expenditures.

**Cambridge City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

***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 2007, the School District amended its General Fund budget three times. 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 \$17,274,768, \$1,308,232 below final estimates of \$18,583,000. The majority of this difference was due to a decrease in property tax revenues and intergovernmental revenues. Final estimated revenues were \$4,749 below original estimated revenues of \$18,587,749. Expenditures of \$18,344,162 were \$1,203,119 below final appropriations of \$19,547,281. Final appropriations were \$2,140,000 above original appropriations of \$17,407,281.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the School District had \$44,365,146 invested in land, land improvements, buildings and improvements, furniture and fixtures, machinery and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

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

	Governmental Activities	
	2007	2006
Land	\$5,031,339	\$5,031,339
Land Improvements	545,800	578,602
Buildings and Improvements	37,321,504	38,396,216
Furniture and Fixtures	494,608	521,034
Machinery and Equipment	646,555	706,619
Vehicles	325,340	407,404
Totals	\$44,365,146	\$45,641,214

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

***Debt***

At June 30, 2007, the School District had \$6,855,235 in general obligation bonds outstanding, of which \$190,739 is due within one year. See Note 13 to the basic financial statements for more information on debt.

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007*

Unaudited

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### **Current Issues**

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

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

The School District has implemented reductions during fiscal year 2007. This reduction is largely attributed to a reduction in the force of teaching positions. Due to the School District's current financial situation, additional reductions will be implemented during fiscal year 2008. 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.

The School District's emergency operating levy generates \$1,455,000 each year. The School District placed a renewal of the existing emergency operating levy on the ballot in November, 2006. The issue passed and will maintain revenues of \$1,455,000 annually.

### **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 Susan Tucker, Treasurer, at Cambridge City School District, 6111 Fairdale Road., Cambridge, Ohio 43725, or E-Mail at [susan.tucker@omeresanet.net](mailto:susan.tucker@omeresanet.net).

**Cambridge City School District, Ohio**

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,941,202
Cash and Cash Equivalents in Segregated Accounts	6,027
Cash and Cash Equivalents with Fiscal Agents	347,570
Investments in Segregated Accounts	20,446
Inventory Held for Resale	13,020
Materials and Supplies Inventory	47,326
Accounts Receivable	24,326
Intergovernmental Receivable	785,482
Property Taxes Receivable	6,663,711
Deferred Charges	58,927
Nondepreciable Capital Assets	5,031,339
Depreciable Capital Assets, Net	<u>39,333,807</u>
<i>Total Assets</i>	<u>57,273,183</u>
<b>Liabilities</b>	
Accounts Payable	128,726
Accrued Wages and Benefits Payable	2,175,973
Matured Compensated Absences Payable	67,666
Intergovernmental Payable	562,396
Accrued Interest Payable	21,215
Deferred Revenue	3,880,609
Claims Payable	301,000
Long-Term Liabilities:	
Due Within One Year	287,097
Due In More Than One Year	<u>7,874,906</u>
<i>Total Liabilities</i>	<u>15,299,588</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	38,515,949
Restricted for:	
Debt Service	796,329
Capital Projects	2,062,326
Bus Purchase	41,213
Textbooks and Instructional Materials	153,076
Music Supplies:	
Non-Expendable	500
Expendable	1,898
Other Purposes	631,662
Unrestricted	<u>(229,358)</u>
<i>Total Net Assets</i>	<u><u>\$41,973,595</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, 2007*

	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	\$10,953,797	\$720,648	\$934,071	\$0	(\$9,299,078)
Special	2,496,314	0	1,891,478	0	(604,836)
Vocational	101,408	0	114,251	0	12,843
Intervention	251,543	0	18,386	0	(233,157)
Support Services:					
Pupils	955,370	0	144,151	0	(811,219)
Instructional Staff	1,070,432	0	953,346	0	(117,086)
Board of Education	62,450	0	10,853	0	(51,597)
Administration	1,468,673	0	139,887	0	(1,328,786)
Fiscal	521,555	0	21,496	0	(500,059)
Business	221,434	0	0	0	(221,434)
Operation and					
Maintenance of Plant	2,230,148	0	84,905	0	(2,145,243)
Pupil Transportation	1,052,013	0	0	18,370	(1,033,643)
Central	172,605	0	27,579	0	(145,026)
Operation of Non-Instructional Services:					
Food Service Operations	1,294,585	349,324	844,975	0	(100,286)
Other Non-Instructional Services	104,531	0	104,038	0	(493)
Extracurricular Activities	513,169	268,077	2,525	0	(242,567)
Interest and Fiscal Charges	327,073	0	0	0	(327,073)
<i>Totals</i>	<u>\$23,797,100</u>	<u>\$1,338,049</u>	<u>\$5,291,941</u>	<u>\$18,370</u>	<u>(17,148,740)</u>
<b>General Revenues</b>					
Property Taxes Levied For:					
					4,033,825
					577,827
					60,989
Grants and Entitlements not					
					11,417,306
Interest					
					227,556
Miscellaneous					
					68,268
					<u>16,385,771</u>
					<i>Change in Net Assets</i>
					(762,969)
					<i>Net Assets Beginning of Year</i>
					42,736,564
					<u><u>\$41,973,595</u></u>

See accompanying notes to the basic financial statements



**Cambridge City School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2007*

	General	Bond Retirement Fund	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,013,133	\$1,130,134	\$1,446,069	\$3,589,336
Cash and Cash Equivalents in Segregated Accounts	0	0	0	6,027	6,027
Cash and Cash Equivalents with Fiscal Agents	0	0	347,570	0	347,570
Investments in Segregated Accounts	20,446	0	0	0	20,446
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	65,481	0	0	0	65,481
Receivables:					
Property Taxes	5,764,296	811,677	0	87,738	6,663,711
Accounts	117	0	0	24,209	24,326
Intergovernmental	46,107	0	0	739,375	785,482
Interfund	9,000	0	0	0	9,000
Inventory Held for Resale	0	0	0	13,020	13,020
Materials and Supplies Inventory	44,930	0	0	2,396	47,326
<i>Total Assets</i>	<u>\$5,950,377</u>	<u>\$1,824,810</u>	<u>\$1,477,704</u>	<u>\$2,318,834</u>	<u>\$11,571,725</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$77,138	\$0	\$0	\$33,138	\$110,276
Accrued Wages and Benefits Payable	1,758,329	0	0	417,644	2,175,973
Matured Compensated Absences Payable	67,666	0	0	0	67,666
Intergovernmental Payable	444,447	0	0	117,949	562,396
Interfund Payable	0	0	0	9,000	9,000
Deferred Revenue	3,945,574	541,060	0	453,631	4,940,265
<i>Total Liabilities</i>	<u>6,293,154</u>	<u>541,060</u>	<u>0</u>	<u>1,031,362</u>	<u>7,865,576</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	109,114	0	0	65,575	174,689
Reserved for Property Taxes	1,864,829	270,617	0	27,765	2,163,211
Reserved for Bus Purchase	41,213	0	0	0	41,213
Reserved for Textbooks and Instructional Materials	153,076	0	0	0	153,076
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	(2,511,009)	0	0	0	(2,511,009)
Special Revenue Funds	0	0	0	609,712	609,712
Debt Service Fund	0	1,013,133	0	0	1,013,133
Capital Projects Funds	0	0	1,477,704	582,022	2,059,726
Permanent Fund:					
Expendable	0	0	0	1,898	1,898
Non-Expendable	0	0	0	500	500
<i>Total Fund Balances (Deficit)</i>	<u>(342,777)</u>	<u>1,283,750</u>	<u>1,477,704</u>	<u>1,287,472</u>	<u>3,706,149</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,950,377</u>	<u>\$1,824,810</u>	<u>\$1,477,704</u>	<u>\$2,318,834</u>	<u>\$11,571,725</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, 2007*

<b>Total Governmental Fund Balances</b>		\$3,706,149
 <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.		44,365,146
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	619,891	
Grants	370,480	
CAFS	46,107	
Student Fees	<u>23,178</u>	1,059,656
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.		(21,215)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		58,927
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(6,855,235)	
Compensated Absences Payable	<u>(1,306,768)</u>	(8,162,003)
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>966,935</u>
Net Assets of Governmental Activities		<u><u>\$41,973,595</u></u>

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, 2007*

	General	Bond Retirement Fund	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$4,080,466	\$577,804	\$0	\$62,248	\$4,720,518
Intergovernmental	12,197,479	136,803	0	3,891,794	16,226,076
Interest	138,221	0	60,265	14,819	213,305
Tuition and Fees	720,648	0	0	69,844	790,492
Extracurricular Activities	36,368	0	0	231,709	268,077
Gifts and Donations	0	0	0	9,208	9,208
Customer Sales and Services	0	0	0	349,324	349,324
Miscellaneous	51,881	0	0	16,387	68,268
<i>Total Revenues</i>	<u>17,225,063</u>	<u>714,607</u>	<u>60,265</u>	<u>4,645,333</u>	<u>22,645,268</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,844,539	0	0	783,733	10,628,272
Special	1,533,351	0	0	921,576	2,454,927
Vocational	98,701	0	0	0	98,701
Intervention	192,147	0	0	19,997	212,144
Support Services:					
Pupils	814,526	0	0	82,586	897,112
Instructional Staff	257,048	0	0	831,063	1,088,111
Board of Education	50,016	0	0	0	50,016
Administration	1,319,651	0	0	119,327	1,438,978
Fiscal	452,094	20,638	0	2,312	475,044
Business	220,458	0	0	0	220,458
Operation and Maintenance of Plant	1,949,372	0	0	188,456	2,137,828
Pupil Transportation	990,207	0	0	0	990,207
Central	163,367	0	0	29,340	192,707
Operation of Non-Instructional Services	1,888	0	0	1,308,130	1,310,018
Extracurricular Activities	180,987	0	0	257,711	438,698
Capital Outlay	0	0	16,403	35,270	51,673
Debt Service:					
Principal Retirement	0	370,000	0	0	370,000
Interest and Fiscal Charges	0	266,962	0	0	266,962
<i>Total Expenditures</i>	<u>18,068,352</u>	<u>657,600</u>	<u>16,403</u>	<u>4,579,501</u>	<u>23,321,856</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(843,289)	57,007	43,862	65,832	(676,588)
<b>Other Financing Source</b>					
Proceeds from Sale of Capital Assets	0	0	0	190,000	190,000
<i>Net Change in Fund Balances</i>	(843,289)	57,007	43,862	255,832	(486,588)
<i>Fund Balances Beginning of Year</i>	500,512	1,226,743	1,433,842	1,031,640	4,192,737
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$342,777)</u>	<u>\$1,283,750</u>	<u>\$1,477,704</u>	<u>\$1,287,472</u>	<u>\$3,706,149</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, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** (\$486,588)

***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	11,400	
Depreciation Expense	<u>(1,287,468)</u>	(1,276,068)

Repayment of a note receivable is a revenue in the governmental funds. However, the revenue reduces notes receivable in the statement of net assets. (200,000)

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

Grants	367,072	
CAFS	46,107	
Student Fees	(5,456)	
Delinquent Taxes	<u>(47,877)</u>	359,846

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 370,000

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

Accrued Interest Payable	610	
Capital Appreciation Bond Premium	77,437	
Amortization of Discount	(3,337)	
Amortization of Serial Premium	8,138	
Amortization of Deferred Amount on Refunding	(31,280)	
Annual Accretion	(107,858)	
Amortization of Issuance Costs	<u>(3,821)</u>	(60,111)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (11,601)

The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 541,553

*Change in Net Assets of Governmental Activities* (\$762,969)

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, 2007*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$4,801,525	\$4,800,000	\$4,131,946	(\$668,054)
Intergovernmental	12,836,350	12,832,000	12,197,479	(634,521)
Interest	137,825	138,000	135,499	(2,501)
Tuition and Fees	735,688	735,000	722,809	(12,191)
Extracurricular Activities	37,250	38,000	36,368	(1,632)
Miscellaneous	39,111	40,000	50,667	10,667
<i>Total Revenues</i>	18,587,749	18,583,000	17,274,768	(1,308,232)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,765,859	8,765,859	9,941,013	(1,175,154)
Special	1,108,579	1,108,579	1,584,383	(475,804)
Vocational	134,267	186,967	160,751	26,216
Intervention	0	2,000,000	192,971	1,807,029
Support Services:				
Pupils	681,156	821,156	820,781	375
Instructional Staff	425,217	425,217	272,983	152,234
Board of Education	68,705	68,708	52,869	15,839
Administration	1,590,218	1,590,218	1,361,208	229,010
Fiscal	428,325	428,325	453,375	(25,050)
Business	85,000	85,000	223,468	(138,468)
Operation and Maintenance of Plant	2,437,413	2,437,413	1,971,340	466,073
Pupil Transportation	1,070,033	1,017,333	1,002,275	15,058
Central	255,506	255,506	125,121	130,385
Operation of Non-Instructional Services	8,500	8,500	1,888	6,612
Extracurricular Activities	340,000	340,000	179,736	160,264
Capital Outlay	8,500	8,500	0	8,500
<i>Total Expenditures</i>	17,407,278	19,547,281	18,344,162	1,203,119
<i>Excess of Revenues Over (Under) Expenditures</i>	1,180,471	(964,281)	(1,069,394)	(105,113)
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	5,588	5,000	3,538	(1,462)
Advances In	31,663	32,000	32,000	0
Advances Out	0	0	(9,000)	(9,000)
<i>Total Other Financing Sources (Uses)</i>	37,251	37,000	26,538	(10,462)
<i>Net Change in Fund Balance</i>	1,217,722	(927,281)	(1,042,856)	(115,575)
<i>Fund Balance Beginning of Year</i>	843,836	843,836	843,836	0
Prior Year Encumbrances Appropriated	122,481	122,481	122,481	0
<i>Fund Balance End of Year</i>	\$2,184,039	\$39,036	(\$76,539)	(\$115,575)

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2007*

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	Self-Insurance Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,286,385</u>
<b>Current Liabilities</b>	
Accounts Payable	18,450
Claims Payable	<u>301,000</u>
<i>Total Liabilities</i>	<u>319,450</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$966,935</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, 2007*

	Self-Insurance Fund
<b>Operating Revenues</b>	
Charges for Services	\$2,920,755
<b>Operating Expenses</b>	
Purchased Services	313,415
Claims	2,094,804
<i>Total Operating Expenses</i>	<i>2,408,219</i>
<i>Operating Income</i>	<i>512,536</i>
<b>Non-Operating Revenues</b>	
Interest	29,017
<i>Net Change in Net Assets</i>	<i>541,553</i>
<i>Net Assets Beginning of Year</i>	<i>425,382</i>
<i>Net Assets End of Year</i>	<i>\$966,935</i>

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, 2007*

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	<u>Self-Insurance Fund</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$2,920,755
Cash Payments for Goods and Services	(294,965)
Cash Payments for Claims	<u>(2,283,804)</u>
Net Cash Provided By Operating Activities	341,986
<b>Cash Flows from Investing Activities</b>	
Interest	<u>29,017</u>
<i>Net Increase in Cash and Cash Equivalents</i>	371,003
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>915,382</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,286,385</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$512,536
Changes in Assets and Liabilities:	
Increase in Accounts Payable	18,450
Decrease in Claims Payable	<u>(189,000)</u>
Net Cash Provided By Operating Activities	<u><u>\$341,986</u></u>

See accompanying notes to the basic financial statements



**Cambridge City School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2007*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$494,629	\$30,727
<b>Liabilities</b>		
Due to Students	0	\$30,727
<b>Net Assets</b>		
Restricted for Endowments	333,715	
Held in Trust for Scholarships	160,914	
Total Net Assets	\$494,629	

See accompanying notes to the basic financial statements

**Cambridge City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2007*

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$59,907
Interest	<u>12,236</u>
Total Additions	72,143
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>26,536</u>
Change in Net Assets	45,607
Net Assets Beginning of Year	<u>449,022</u>
Net Assets End of Year	<u><u>\$494,629</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, 2007*

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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 114 classified employees and 191 certified personnel, who provide services to 2,533 students and other community members.

The Superintendent of Public Instruction declared the Cambridge City School District to be in a state of fiscal caution effective February 16, 2006. See Note 19 for more information.

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

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, the Mid-East Career and Technology Centers, 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 14 and 15 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2007*

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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 and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

**Bond Retirement 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 dental and medical benefits.

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

### **C. Measurement Focus**

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

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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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, 2007, but which were levied to finance fiscal year 2008 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, 2007*

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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. The balances in these 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 represent the Ohio School Facilities monies held in escrow for contractors.

During fiscal year 2007, investments were limited to common stock, which is reported at fair value as of June 30, 2007.

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 2007 amounted to \$138,221, which includes \$130,313 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.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

***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 include amounts required by Statute to be set aside by the School District for the creation of a reserve for the purchase of textbooks and other instructional materials, and unexpended revenues restricted for the purchase of buses. The School District did not have enough unrestricted cash at fiscal year end to fully restrict textbook and instructional materials and bus purchase. Therefore, assets were only restricted to the extent that the unrestricted cash existed.

***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 anniversary hire date.



## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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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.

### ***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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

### ***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, textbooks and instructional materials 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. Unamortized Issuance Costs and Bond Premiums and Discounts***

On government-wide financial statements, issuance costs and bond discounts and premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition of the face amount of bonds payable.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the debt is issued.

***O. 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 \$3,687,004 of restricted net assets, of which no amounts were 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.

***P. 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.

***Q. 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.

***R. Estimates***

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

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **S. Budgetary Process**

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

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

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

### **Note 3 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a 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.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance

GAAP Basis	(\$843,289)
Net Adjustment for Revenue Accruals	57,982
Net Adjustment for Expenditure Accruals	(136,414)
Unreported Items:	
Beginning of Fiscal Year	18,331
End of Fiscal Year	(23,070)
Advances In	32,000
Advances Out	(9,000)
Encumbrances	(139,396)
Budget Basis	<u><u>(\$1,042,856)</u></u>

**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**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, \$5,591,884 of the School District's bank balance of \$5,841,845 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.

**Investments** As of June 30, 2007, the School District had the following investment.

	<u>Fair Value</u>
JPMorgan Chase & Co. Common Stock	\$20,446

**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, 100% is invested in JPMorgan Chase & Co. Common Stock.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 5 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 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, 2007, 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, 2007, was \$2,163,211. \$1,864,829 was available in the General Fund, \$27,765 in the Classroom Facilities Maintenance Special Revenue Fund, and \$270,617 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2006, was \$2,206,964. \$1,916,309 was available in the General Fund, \$30,175 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$260,480 was available in the Bond Retirement Debt Service Fund.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$172,271,070	82.68%	\$198,691,100	90.85%
Public Utility Personal	17,055,830	8.18%	17,193,920	7.86%
Tangible Personal Property	19,041,250	9.14%	2,811,600	1.29%
<b>Total</b>	<u><u>\$208,368,150</u></u>	<u><u>100.00%</u></u>	<u><u>\$218,696,620</u></u>	<u><u>100.00%</u></u>
Tax Rate per \$1,000 of assessed valuation	\$39.30		\$41.35	

**Note 6 - Receivables**

Receivables at June 30, 2007, consisted of property taxes, accounts (student fees and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except for property taxes.

A summary of principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	
Tuition	\$9,705
School Lunch	163,799
CAFS	46,107
Literacy Improvement	1,714
Core Implementation	46,276
Idea - Part B	254,292
Title I	145,103
Title I Delinquent	17,520
Title V	1,702
Safe and Drug Free	11,017
Title II-A	50,138
Title II-D Technology	5,379
Title VI-B	24,342
After School Demonstration	8,388
	<u><u>\$785,482</u></u>

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

The School District issued an interest free note receivable for the sale of its old high school for \$225,000 to the local YMCA during fiscal year 2005. The note was to be paid in yearly installments of \$25,000. The first payment of \$25,000 was received fiscal year 2006. The YMCA paid the School District \$190,000 during fiscal year 2007 to pay of the balance of the loan, as the School District forgave the YMCA for the remaining \$10,000. No balance remains on the loan at June 30, 2007.

**Note 7 - Interfund Activity**

At June 30, 2007, 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.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	<u>\$9,000</u>	<u>\$0</u>
Special Revenue Funds:		
Lunchroom	0	7,000
State Grants	<u>0</u>	<u>2,000</u>
Total Special Revenue	<u>0</u>	<u>9,000</u>
Total All Funds	<u><u>\$9,000</u></u>	<u><u>\$9,000</u></u>

**Note 8 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, 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. Blanket coverage for fiscal year 2007 was in the amount of \$70,873,600. General liability is protected with a \$5,000,000 aggregate and no deductible. Vehicles are covered also by Selective 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.



**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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***B. Workers' Compensation***

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District maintains a self funded insurance program through Aultra Administrative Group 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 \$548.29 monthly for single and \$1,225.43 monthly for family. The dental coverage premiums are \$60.60 monthly for both single and family. The coverage is offered to all School District employees.

The claims liability of \$301,000 reported in the internal service fund at June 30, 2007, 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 2006 and 2007 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2006	\$400,000	\$2,884,393	\$2,794,393	\$490,000
2007	490,000	2,094,804	2,283,804	301,000

**Note 9 - Employee Benefits**

***A. Compensated Absences***

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

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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

***B. Life Insurance***

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

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/07</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$5,031,339	\$0	\$0	\$5,031,339
Total capital assets not being depreciated	<u>5,031,339</u>	<u>0</u>	<u>0</u>	<u>5,031,339</u>
Capital assets being depreciated				
Land Improvements	656,056	0	0	656,056
Buildings and Improvements	42,565,188	0	0	42,565,188
Furniture and Fixtures	573,795	0	0	573,795
Machinery and Equipment	1,191,750	11,400	0	1,203,150
Vehicles	1,450,199	0	0	1,450,199
Total capital assets being depreciated	<u>46,436,988</u>	<u>11,400</u>	<u>0</u>	<u>46,448,388</u>
Accumulated depreciation				
Land Improvements	(77,454)	(32,802)	0	(110,256)
Buildings and Improvements	(4,168,972)	(1,074,712)	0	(5,243,684)
Furniture and Fixtures	(52,761)	(26,426)	0	(79,187)
Machinery and Equipment	(485,131)	(71,464)	0	(556,595)
Vehicles	(1,042,795)	(82,064)	0	(1,124,859)
Total accumulated depreciation	<u>(5,827,113)</u>	<u>(1,287,468) *</u>	<u>0</u>	<u>(7,114,581)</u>
Capital assets being depreciated, net	<u>40,609,875</u>	<u>(1,276,068)</u>	<u>0</u>	<u>39,333,807</u>
Governmental Activities capital assets, net	<u>\$45,641,214</u>	<u>(\$1,276,068)</u>	<u>\$0</u>	<u>\$44,365,146</u>

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

Instruction:	
Regular	\$504,994
Special	130,066
Vocational	3,920
Intervention	12,742
Support Services:	
Pupils	57,638
Instructional Staff	44,339
Board of Education	2,434
Administration	83,336
Fiscal	22,600
Business	7,558
Operation and Maintenance of Plant	132,540
Pupil Transportation	82,600
Central	26,496
Extracurricular Activities	61,674
Operation of Non-Instructional Services	5,719
Food Service Operations	108,812
Total Depreciation Expense	<u>\$1,287,468</u>

**Note 11 - 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.

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 2007, 10.68 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, 2007, 2006, and 2005, were \$259,047, \$270,623, and \$410,831, respectively; 45.71 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2006 and 2005.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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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, 2007, 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. For fiscal year 2006, the portion to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. 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, 2007, 2006, and 2005, were \$1,362,205, \$1,332,760, and \$1,635,024, respectively; 83.42 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,761 made by the School District and \$8,107 made by the plan members.

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **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, 2006, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 12 - 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$104,785 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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 health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2007 fiscal year equaled \$121,787.

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, 2006 (latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

**Note 13 - Long Term Obligations**

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

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<b>Governmental Activities:</b>					
2000 Classroom Facilities					
Construction and Improvement GO Bonds:					
Serial Bonds - 4.20-5.40%	\$945,000	\$0	\$290,000	\$655,000	\$0
Original Issue of Capital Appreciation Bonds - 13.21%	226,979	0	0	226,979	120,739
Accretion on Capital Appreciation Bonds	269,610	67,666	0	337,276	
<b>Total 2000 Bonds</b>	<b>1,441,589</b>	<b>67,666</b>	<b>290,000</b>	<b>1,219,255</b>	<b>120,739</b>
2005 Classroom Facilities Refunding Bonds:					
Serial Bonds - 3.25%-5.5%	5,500,000	0	80,000	5,420,000	70,000
Original Issue of Capital Appreciation Bonds - 22.66%-23.63%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	24,000	40,192	0	64,192	0
Premium on Capital Appreciation Bonds	497,583	0	77,437	420,146	0
Deferred Amount on Refunding	(513,673)	0	(31,280)	(482,393)	0
Premium on Serial Bonds	133,635	0	8,138	125,497	0
Discount	(54,799)	0	(3,337)	(51,462)	0
<b>Total 2005 Bonds</b>	<b>5,726,746</b>	<b>40,192</b>	<b>130,958</b>	<b>5,635,980</b>	<b>70,000</b>
<b>Total Bonds</b>	<b>7,168,335</b>	<b>107,858</b>	<b>420,958</b>	<b>6,855,235</b>	<b>190,739</b>
Compensated Absences	1,295,167	114,900	103,299	1,306,768	96,358
<b>Total Governmental Activities</b>	<b>\$8,463,502</b>	<b>\$222,758</b>	<b>\$524,257</b>	<b>\$8,162,003</b>	<b>\$287,097</b>

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

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 project under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The bond issue consisted of serial, term, and capital appreciation bonds. Part of the bonds was refunded in fiscal year 2006 (see discussion below). The liability for the remaining bonds, consisting of serial and capital appreciation bonds, is recorded in the Statement of Net Assets with the annual principal and interest requirements retired from the Debt Service Fund.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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 2007, \$67,666 was accreted for a total bond value of \$564,255.

On September 13, 2005, the School District issued \$5,745,000 in refunding bonds to retire \$5,745,000 of outstanding school improvement bonds. \$6,283,525 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. At June 30, 2007, \$6,069,050 remains in this account. \$5,745,000 of refunded bonds was considered defeased and the liability is removed from the statement of net assets. To date, no payments have been made on the refunded amounts.

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

The 2005 capital appreciation bonds were sold at a premium of \$521,657, of which \$77,437 was amortized in fiscal year 2007. The capital appreciation bonds will mature in fiscal year 2014. The maturity amount of the bonds is \$940,000. For the fiscal year 2007, \$40,192 was accreted for a total bond value of \$624,338.

The overall debt margin of the School District as of June 30, 2007, was \$13,297,724, with an unvoted debt margin of \$218,697.

Principal and interest requirements to retire the 2000 bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending	2000 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$0	\$33,572	\$120,739	\$199,261
2009	0	33,572	106,240	213,760
2010	320,000	25,412	0	0
2011	335,000	8,626	0	0
	<u>\$655,000</u>	<u>\$101,182</u>	<u>\$226,979</u>	<u>\$413,021</u>

## Cambridge City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

Principal and interest requirements to retire the 2005 refunding bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending	2005 Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$70,000	\$223,775	\$0	\$0
2009	50,000	221,825	0	0
2010	35,000	220,444	0	0
2011	65,000	218,737	0	0
2012	425,000	210,163	0	0
2013-2017	1,395,000	866,219	140,000	800,000
2018-2022	2,760,000	413,606	0	0
2023	620,000	12,400	0	0
	<u>\$5,420,000</u>	<u>\$2,387,169</u>	<u>\$140,000</u>	<u>\$800,000</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.

### **Note 14 - 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, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The total amount paid to OME-RESA from the School District for the fiscal year 2007 was \$57,572.

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

#### ***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 2007, the School District made no payments to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### ***C. 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 pay a membership fee to MEC to cover the costs of administering the program. The School District's membership fee was \$1,000 for fiscal year 2007. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, fiscal officer, 6100 Channingway Blvd, Suite 604, Columbus, Ohio 43232.

### ***D. 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 2007, 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 15 - 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 Program (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 GRP to cover the costs of administering the Plan.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**Note 16 - 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, 2007.

**B. Litigation**

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

**Note 17 - Set-Asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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, 2006	\$0	(\$75,199)
Current Year Set-aside Requirement	394,375	394,375
Qualifying Expenditures	0	(166,100)
Qualifying Offsets	(567,667)	0
Total	<u>(\$173,292)</u>	<u>\$153,076</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$153,076</u>

The School District had qualifying expenditures and offsets during the fiscal year and carryforwards that reduced the capital improvements set-asides below zero, which may not be carried forward to future years. The School District did not have qualifying expenditures and offsets during the fiscal year that met the current year set-aside requirement less any carry-forwards. The amount that was short of the requirement was placed in a reserve for textbooks and instructional materials and the monies were restricted to the amount that the School District had unrestricted cash available.

**Cambridge City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**Note 18 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. The endowments are \$333,715. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$160,914 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 19 – Financial Difficulties**

The School District was placed in Fiscal Caution on February 16, 2006, by the Ohio Department of Education. The School District submitted a proposal to the Ohio Department of Education on March 31, 2006, to avoid future potential deficits. The Ohio Department of Education accepted the proposal on April 7, 2006.

The School District implemented an expenditure reduction plan during fiscal year 2007 which included a reduction in force and other cost savings measures. As of December 31, 2006, there is a freeze on the salaries of support staff due to their expired contract. This freeze will remain in effect until a new contract is negotiated.

On November 7, 2006, the School District passed a renewal Emergency Operating five-year 7.51 mill levy. The collections for this levy began in calendar year 2007.

The five year forecast submitted to the Ohio Department of Education in November, 2007, reflected a positive General Fund balance for fiscal years 2008, 2009, and 2010.

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**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	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>						
Food Distribution	N/A	10.550	_____	\$116,030	_____	\$116,030
Nutrition Cluster:						
School Breakfast Program	043695-05PU-2006	10.553	\$20,435	_____	\$20,435	_____
	043695-05PU-2007		93,115	_____	93,115	_____
Total School Breakfast Program			113,550	_____	113,550	_____
National School Lunch Program						
	043695-LLP4-2006	10.555	61,370	_____	61,370	_____
	043695-LLP4-2007		299,475	_____	299,475	_____
	043695-LLP1-2007		1,280	_____	1,280	_____
Total National School Lunch Program			362,125	_____	362,125	_____
Summer Food Service Program for Children	043695-24PU-06	10.559	2,403	_____	2,403	_____
Total - Nutrition Cluster			478,078	0	478,078	0
Total U.S. Department of Agriculture			478,078	116,030	478,078	116,030
<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-C1SD-2007	84.010	10,924	_____	7,375	_____
	043695-C1SD-2006		1,771	_____	2,758	_____
	043695-C1S1-2007		873,169	_____	792,025	_____
	043695-C1S1-2006		60,050	_____	128,667	_____
Total Title I Grants to Local Educational Agencies			945,914	_____	930,825	_____
Special Education: Grants to States						
	043695-6BSF-2007	84.027	585,252	_____	521,808	_____
	043695-6BSF-2006		22,177	_____	89,643	_____
Total Special Education: Grants to States			607,429	_____	611,451	_____
Safe and Drug-Free Schools and Communities - State Grants						
	043695-DRS1-2007	84.186	14,378	_____	12,904	_____
	043695-DRS1-2006		(2,994)	_____	_____	_____
Total Safe and Drug-Free Schools and Communities - State Grants			11,384	_____	12,904	_____
State Grants for Innovative Programs						
	043695-C2S1-2007	84.298	7,190	_____	4,694	_____
	043695-C2S1-2006		491	_____	616	_____
Total State Grants for Innovative Programs			7,681	_____	5,310	_____
Education Technology State Grants						
	043695-TJS1-2007	84.318	7,984	_____	6,209	_____
	043695-TJS1-2006		522	_____	522	_____
Total Education Technology State Grants			8,506	_____	6,731	_____
Rural Education						
	043695-RUS1-2007	84.358	63,723	_____	60,799	_____
	043695-RUS1-2006		3,408	_____	9,136	_____
Total Rural Education			67,131	_____	69,935	_____
Improving Teacher Quality State Grants						
	043695-TRS1-2007	84.367	183,989	_____	179,509	_____
	043695-TRS1-2006		49,495	_____	29,176	_____
Total Improving Teacher Quality State Grants			233,484	_____	208,685	_____
Total U.S. Department of Education			1,881,529	0	1,845,841	0
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Guernsey County Department of JFS:</i>						
Medical Assistance Program - After School Demonstration	N/A	93.558	37,395	_____	37,395	_____
Total U.S. Department of Health and Human Services			37,395	0	37,395	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$2,397,002</b>	<b>\$116,030</b>	<b>\$2,361,314</b>	<b>\$116,030</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, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE D - 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:

<b>CFDA Number</b>	<b>Pass-through Entity Number</b>	<b>Transfer-In</b>	<b>Transfer-Out</b>
84.010	043695-C1S1-2006		\$80,810
	043695-C1S1-2007	\$80,810	
84.010	043695-C1SD-2006		2,246
	043695-C1SD-2007	2,246	
84.027	043695-6BSF-2006		54,877
	043695-6BSF-2007	54,877	
84.186	043695-DRS1-2006		2,994
	043695-DRS1-2007	2,994	
84.298	043695-C2S1-2006		502
	043695-C2S1-2007	502	
84.318	043695-TJS1-2006		1,299
84.318	043695-TJS1-2007	1,299	
84.358	043695-RUS1-2006		6,021
	043695-RUS1-2007	6,021	
84.367	043695-TRS1-2006		6,122
84.367	043695-TRS1-2007	6,122	



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2007, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on February 16, 2006 due to a projected General Fund deficit for fiscal years 2006 through 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we reported to the School District's management in a separate letter dated December 28, 2007.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated December 28, 2007.

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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 28, 2007





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Cambridge City School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. 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 could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with 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 its major federal program for the year ended June 30, 2007.

#### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the School District's compliance with those requirements.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 28, 2007

**CAMBRIDGE CITY SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007**

**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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material 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 significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	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>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**CAMBRIDGE CITY SCHOOL DISTRICT**  
**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JANUARY 22, 2008**