



**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cambridge City School District, Guernsey County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

January 12, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,438,356	\$507,711	\$0	\$1,043,105
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Investments	18,160	0	0	0
Receivables:				
Property and Other Taxes	5,397,717	0	189,805	383,169
Accounts	7,732	0	0	0
Intergovernmental	6,540	0	0	0
Accrued Interest	97,811	0	0	0
Prepaid Items	1,454	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	40,578	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	234,999	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$9,243,347	\$507,711	\$189,805	\$1,426,274

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$75,284	\$336,969	\$346,580	\$0	\$0	\$5,748,005
0	0	0	0	0	0
0	0	0	0	0	18,160
0	0	0	0	0	5,970,691
0	0	0	0	0	7,732
0	0	0	0	0	6,540
0	0	0	0	0	97,811
0	0	0	0	0	1,454
17,931	0	0	0	0	17,931
24,175	0	0	0	0	64,753
0	0	0	0	0	234,999
105,767	0	0	16,791,349	0	16,897,116
0	0	0	0	1,768,660	1,768,660
<u>\$223,157</u>	<u>\$336,969</u>	<u>\$346,580</u>	<u>\$16,791,349</u>	<u>\$1,768,660</u>	<u>\$30,833,852</u>

(continued)

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$26,686	\$3,223	\$0	\$61,166
Contracts Payable	0	0	0	10,800
Accrued Wages and and Benefits Payable	1,330,673	185,281	0	0
Compensated Absences Payable	45,848	0	0	0
Intergovernmental Payable	328,589	34,260	0	0
Deferred Revenue	3,795,620	0	172,402	287,669
Due to Students	0	0	0	0
Long Term Pension Obligation	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>5,527,416</u>	<u>222,764</u>	<u>172,402</u>	<u>359,635</u>
Total Liabilities				
Fund Equity and Other Credits:				
Investment in				
General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	47,544	24,307	0	142,733
Reserved for Inventory	40,578	0	0	0
Reserved for Property Taxes	1,602,097	0	17,403	95,500
Reserved for Endowments	0	0	0	0
Reserved for Bus Purchase	35,917	0	0	0
Reserved for Budget Stabilization	199,082	0	0	0
Unreserved, Undesignated	1,790,713	260,640	0	828,406
	<u>3,715,931</u>	<u>284,947</u>	<u>17,403</u>	<u>1,066,639</u>
Total Fund Equity and Other Credits				
Total Liabilities, Fund Equity and Other Credits	\$9,243,347	\$507,711	\$189,805	\$1,426,274

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$0	\$500	\$0	\$0	\$0	\$91,575
0	0	0	0	0	10,800
54,888	0	0	0	0	1,570,842
20,566	0	0	0	964,626	1,031,040
35,804	0	0	0	0	398,653
15,220	0	0	0	0	4,270,911
0	0	48,528	0	0	48,528
0	0	0	0	129,034	129,034
0	242,000	0	0	0	242,000
0	0	0	0	675,000	675,000
<u>126,478</u>	<u>242,500</u>	<u>48,528</u>	<u>0</u>	<u>1,768,660</u>	<u>8,468,383</u>
0	0	0	16,791,349	0	16,791,349
287,092	0	0	0	0	287,092
(190,413)	94,469	27,446	0	0	(68,498)
0	0	180	0	0	214,764
0	0	0	0	0	40,578
0	0	0	0	0	1,715,000
0	0	158,448	0	0	158,448
0	0	0	0	0	35,917
0	0	0	0	0	199,082
0	0	111,978	0	0	2,991,737
<u>96,679</u>	<u>94,469</u>	<u>298,052</u>	<u>16,791,349</u>	<u>0</u>	<u>22,365,469</u>
<u>\$223,157</u>	<u>\$336,969</u>	<u>\$346,580</u>	<u>\$16,791,349</u>	<u>\$1,768,660</u>	<u>\$30,833,852</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property and Other Taxes	\$4,562,753	\$0	\$192,459	\$309,223
Intergovernmental	8,936,559	1,808,052	0	423,661
Interest	340,579	7,366	0	27,713
Tuition and Fees	2,692	0	0	0
Rent	1,630	0	0	0
Extracurricular Activities	0	162,492	0	0
Gifts and Donations	1,571	6,279	0	0
Miscellaneous	34,708	19,448	0	0
Total Revenues	13,880,492	2,003,637	192,459	760,597
Expenditures:				
Current:				
Instruction:				
Regular	7,260,522	456,636	0	0
Special	1,170,760	607,968	0	0
Vocational	341,466	0	0	0
Other	113,113	0	0	0
Support Services:				
Pupils	455,811	154,213	0	0
Instructional Staff	301,025	239,236	0	0
Board of Education	137,960	0	0	0
Administration	1,423,745	51,231	0	0
Fiscal	367,452	3,640	0	0
Business	106,713	722	0	0
Operation and Maintenance of Plant	1,353,311	0	0	0
Pupil Transportation	685,903	132	0	0
Central	47,113	6,112	0	0
Non-Instructional Services	9,928	65,170	0	0
Extracurricular Activities	195,447	205,925	0	0
Capital Outlay	6,731	0	0	560,452
Intergovernmental	0	3,770	0	0
Debt Service:				
Principal	0	0	150,000	0
Interest and Fiscal Charges	0	0	41,930	0
Total Expenditures	13,977,000	1,794,755	191,930	560,452
Excess of Revenues Over (Under) Expenditures	(96,508)	208,882	529	200,145
Other Financing Sources (Uses):				
Proceeds From Sale of Fixed Assets	593	0	0	0
Operating Transfers In	0	8,000	0	500,000
Operating Transfers Out	(508,588)	0	0	0
Total Other Financing Sources (Uses)	(507,995)	8,000	0	500,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(604,503)	216,882	529	700,145
Fund Balances at Beginning of Year	4,315,429	68,065	16,874	366,494
Decrease in Reserve for Inventory	5,005	0	0	0
Fund Balances at End of Year	\$3,715,931	\$284,947	\$17,403	\$1,066,639

See accompanying notes to the general purpose financial statements

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$0	\$5,064,435
0	11,168,272
5,651	381,309
0	2,692
0	1,630
399	162,891
2,036	9,886
0	54,156
<u>8,086</u>	<u>16,845,271</u>
299	7,717,457
0	1,778,728
0	341,466
0	113,113
0	610,024
4,774	545,035
0	137,960
0	1,474,976
0	371,092
0	107,435
0	1,353,311
0	686,035
0	53,225
5,195	80,293
0	401,372
0	567,183
0	3,770
0	150,000
0	41,930
<u>10,268</u>	<u>16,534,405</u>
<u>(2,182)</u>	<u>310,866</u>
0	593
0	508,000
0	(508,588)
<u>0</u>	<u>5</u>
(2,182)	310,871
114,340	4,881,202
0	5,005
<u>\$112,158</u>	<u>\$5,197,078</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Taxes	\$4,662,000	\$4,631,210	(\$30,790)
Intergovernmental	9,407,621	8,930,700	(476,921)
Interest	291,500	299,475	7,975
Tuition and Fees	9,000	2,692	(6,308)
Rent	2,000	1,630	(370)
Extracurricular Activities	0	0	0
Gifts and Donations	0	1,571	1,571
Miscellaneous	20,500	28,389	7,889
Total Revenues	14,392,621	13,895,667	(496,954)
Expenditures:			
Current:			
Instruction:			
Regular	8,173,749	7,186,982	986,767
Special	1,180,225	1,159,161	21,064
Vocational	339,306	336,728	2,578
Adult/Continuing	0	0	0
Other	127,915	119,545	8,370
Support Services:			
Pupils	481,930	469,450	12,480
Instructional Staff	340,558	303,016	37,542
Board of Education	147,725	134,566	13,159
Administration	1,436,545	1,406,319	30,226
Fiscal	380,772	367,448	13,324
Business	116,070	106,892	9,178
Operation and Maintenance of Plant	1,438,660	1,378,936	59,724
Pupil Transportation	849,015	688,266	160,749
Central	38,352	32,342	6,010
Non-Instructional Services	19,573	11,666	7,907
Extracurricular Activities	208,364	195,523	12,841
Capital Outlay	22,131	6,731	15,400
Intergovernmental	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	15,300,890	13,903,571	1,397,319
Excess of Revenues Over (Under) Expenditures	(908,269)	(7,904)	900,365
Other Financing Sources (Uses):			
Proceeds From Sale of Fixed Assets	500	593	93
Advances In	5,000	0	(5,000)
Advances Out	(5,000)	0	5,000
Operating Transfers In	0	0	0
Operating Transfers Out	(508,588)	(508,588)	0
Total Other Financing Sources (Uses)	(508,088)	(507,995)	93
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,416,357)	(515,899)	900,458
Fund Balances at Beginning of Year	3,683,424	3,683,424	0
Prior Year Encumbrances Appropriated	438,511	438,511	0
Fund Balances at End of Year	\$2,705,578	\$3,606,036	\$900,458

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$191,930	\$191,930	\$0	\$297,000	\$315,678	\$18,678
1,925,490	1,808,052	(117,438)	0	0	0	426,970	423,661	(3,309)
6,200	7,366	1,166	0	0	0	5,000	27,713	22,713
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
174,845	162,492	(12,353)	0	0	0	0	0	0
7,695	6,279	(1,416)	0	0	0	0	0	0
20,725	19,448	(1,277)	0	0	0	0	0	0
<u>2,134,955</u>	<u>2,003,637</u>	<u>(131,318)</u>	<u>191,930</u>	<u>191,930</u>	<u>0</u>	<u>728,970</u>	<u>767,052</u>	<u>38,082</u>
634,756	461,369	173,387	0	0	0	0	0	0
713,027	611,889	101,138	0	0	0	0	0	0
1,150	400	750	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
193,753	156,798	36,955	0	0	0	0	0	0
312,862	240,587	72,275	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
63,522	51,309	12,213	0	0	0	0	0	0
3,640	3,640	0	0	0	0	0	0	0
722	722	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,200	132	1,068	0	0	0	0	0	0
6,182	6,112	70	0	0	0	0	0	0
112,466	76,850	35,616	0	0	0	0	0	0
239,641	212,481	27,160	0	0	0	0	0	0
0	0	0	0	0	0	1,391,089	719,642	671,447
3,770	3,770	0	0	0	0	0	0	0
0	0	0	150,000	150,000	0	0	0	0
0	0	0	41,930	41,930	0	0	0	0
<u>2,286,691</u>	<u>1,826,059</u>	<u>460,632</u>	<u>191,930</u>	<u>191,930</u>	<u>0</u>	<u>1,391,089</u>	<u>719,642</u>	<u>671,447</u>
<u>(151,736)</u>	<u>177,578</u>	<u>329,314</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(662,119)</u>	<u>47,410</u>	<u>709,529</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
37,820	8,000	(29,820)	0	0	0	500,000	500,000	0
(32,875)	0	32,875	0	0	0	0	0	0
<u>4,945</u>	<u>8,000</u>	<u>3,055</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
(146,791)	185,578	332,369	0	0	0	(162,119)	547,410	709,529
244,576	244,576	0	0	0	0	208,762	208,762	0
50,027	50,027	0	0	0	0	81,456	81,456	0
<u>\$147,812</u>	<u>\$480,181</u>	<u>\$332,369</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$128,099</u>	<u>\$837,628</u>	<u>\$709,529</u>

(continued)

**Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds (Continued)
For the Fiscal Year Ended June 30, 1999**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$0	\$0	\$0	\$5,150,930	\$5,138,818	(\$12,112)
Intergovernmental	0	0	0	11,760,081	11,162,413	(597,668)
Interest	5,810	5,651	(159)	308,510	340,205	31,695
Tuition and Fees	0	0	0	9,000	2,692	(6,308)
Rent	0	0	0	2,000	1,630	(370)
Extracurricular Activities	400	399	(1)	175,245	162,891	(12,354)
Gifts and Donations	2,700	2,036	(664)	10,395	9,886	(509)
Miscellaneous	0	0	0	41,225	47,837	6,612
Total Revenues	8,910	8,086	(824)	17,457,386	16,866,372	(591,014)
Expenditures:						
Current:						
Instruction:						
Regular	950	299	651	8,809,455	7,648,650	1,160,805
Special	0	0	0	1,893,252	1,771,050	122,202
Vocational	0	0	0	340,456	337,128	3,328
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	127,915	119,545	8,370
Support Services:						
Pupils	0	0	0	675,683	626,248	49,435
Instructional Staff	5,900	4,954	946	659,320	548,557	110,763
Board of Education	0	0	0	147,725	134,566	13,159
Administration	0	0	0	1,500,067	1,457,628	42,439
Fiscal	0	0	0	384,412	371,088	13,324
Business	0	0	0	116,792	107,614	9,178
Operation and Maintenance of Plant	0	0	0	1,438,660	1,378,936	59,724
Pupil Transportation	0	0	0	850,215	688,398	161,817
Central	0	0	0	44,534	38,454	6,080
Non-Instructional Services	5,500	5,195	305	137,539	93,711	43,828
Extracurricular Activities	0	0	0	448,005	408,004	40,001
Capital Outlay	0	0	0	1,413,220	726,373	686,847
Intergovernmental	0	0	0	3,770	3,770	0
Debt Service:						
Principal Retirement	0	0	0	150,000	150,000	0
Interest and Fiscal Charges	0	0	0	41,930	41,930	0
Total Expenditures	12,350	10,448	1,902	19,182,950	16,651,650	2,531,300
Excess of Revenues Over (Under) Expenditures	(3,440)	(2,362)	1,078	(1,725,564)	214,722	1,940,286
Other Financing Sources (Uses):						
Proceeds From Sale of Fixed Assets	0	0	0	500	593	93
Advances In	0	0	0	5,000	0	(5,000)
Advances Out	0	0	0	(5,000)	0	5,000
Operating Transfers In	0	0	0	537,820	508,000	(29,820)
Operating Transfers Out	0	0	0	(541,463)	(508,588)	32,875
Total Other Financing Sources (Uses)	0	0	0	(3,143)	5	3,148
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,440)	(2,362)	1,078	(1,728,707)	214,727	1,943,434
Fund Balances at Beginning of Year	112,638	112,638	0	4,249,400	4,249,400	0
Prior Year Encumbrances Appropriated	1,702	1,702	0	571,696	571,696	0
Fund Balances at End of Year	\$110,900	\$111,978	\$1,078	\$3,092,389	\$5,035,823	\$1,943,434

**COMBINED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Operating Revenues:				
Sales	\$378,626	\$0	\$0	\$378,626
Charges for Services	0	1,132,657	0	1,132,657
Other Revenues	6,810	0	15,862	22,672
Total Operating Revenues	<u>385,436</u>	<u>1,132,657</u>	<u>15,862</u>	<u>1,533,955</u>
Operating Expenses:				
Salaries	312,561	0	0	312,561
Fringe Benefits	113,188	0	0	113,188
Purchased Services	2,407	151,733	0	154,140
Materials and Supplies	4,224	0	248	4,472
Cost of Sales	387,185	0	0	387,185
Depreciation	15,433	0	0	15,433
Claims	0	1,192,581	0	1,192,581
Other	293	0	8,519	8,812
Total Operating Expenses	<u>835,291</u>	<u>1,344,314</u>	<u>8,767</u>	<u>2,188,372</u>
Operating Income (Loss)	<u>(449,855)</u>	<u>(211,657)</u>	<u>7,095</u>	<u>(654,417)</u>
Non-Operating Revenues:				
Federal Donated Commodities	43,379	0	0	43,379
Interest	2,228	23,262	9,086	34,576
Operating Grants	386,777	0	0	386,777
Total Non-Operating Revenues	<u>432,384</u>	<u>23,262</u>	<u>9,086</u>	<u>464,732</u>
Net Income (Loss) Before Operating Transfers	<u>(17,471)</u>	<u>(188,395)</u>	<u>16,181</u>	<u>(189,685)</u>
Operating Transfers In	<u>588</u>	<u>0</u>	<u>0</u>	<u>588</u>
Net Income (Loss)	<u>(16,883)</u>	<u>(188,395)</u>	<u>16,181</u>	<u>(189,097)</u>
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	<u>(173,530)</u>	<u>282,864</u>	<u>169,713</u>	<u>279,047</u>
Retained Earnings/Fund Balance (Deficit) at End of Year	<u>(190,413)</u>	<u>94,469</u>	<u>185,894</u>	<u>89,950</u>
Contributed Capital at Beginning and End of Year	<u>287,092</u>	<u>0</u>	<u>0</u>	<u>287,092</u>
Total Fund Equity at End of Year	<u>\$96,679</u>	<u>\$94,469</u>	<u>\$185,894</u>	<u>\$377,042</u>

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$373,400	\$378,626	\$5,226	\$0	\$0	\$0
Charges for Services	0	0	0	1,110,500	1,132,657	22,157
Operating Grants	456,000	386,777	(69,223)	0	0	0
Interest	0	2,228	2,228	15,800	26,411	10,611
Proceeds From Sale Fixed Assets	100	0	(100)	0	0	0
Other Revenues	2,700	6,810	4,110	0	0	0
Total Revenues	832,200	774,441	(57,759)	1,126,300	1,159,068	32,768
Expenses:						
Salaries	314,150	313,207	943	0	0	0
Fringe Benefits	128,784	117,214	11,570	1,202,581	1,202,581	0
Purchased Services	5,600	2,407	3,193	174,619	152,983	21,636
Materials and Supplies	407,448	351,076	56,372	0	0	0
Capital Outlay	88,529	44,385	44,144	0	0	0
Other	330	293	37	0	0	0
Total Expenses	944,841	828,582	116,259	1,377,200	1,355,564	21,636
Excess of Revenues Over (Under) Expenses	(112,641)	(54,141)	58,500	(250,900)	(196,496)	54,404
Operating Transfers In	3,300	588	(2,712)	150,000	0	(150,000)
Operating Transfers Out	0	0	0	(150,000)	0	150,000
Excess of Revenues Over (Under) Expenses and Operating Transfers	(109,341)	(53,553)	55,788	(250,900)	(196,496)	54,404
Fund Equity at Beginning of Year	87,707	87,707	0	530,264	530,264	0
Prior Year Encumbrances Appropriated	40,077	40,077	0	1,451	1,451	0
Fund Equity at End of Year	\$18,443	\$74,231	\$55,788	\$280,815	\$335,219	\$54,404

See accompanying notes to the general purpose financial statements

Non-Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$373,400	\$378,626	\$5,226
0	0	0	1,110,500	1,132,657	22,157
0	0	0	456,000	386,777	(69,223)
11,075	9,086	(1,989)	26,875	37,725	10,850
0	0	0	100	0	(100)
10,500	15,862	5,362	13,200	22,672	9,472
<u>21,575</u>	<u>24,948</u>	<u>3,373</u>	<u>1,980,075</u>	<u>1,958,457</u>	<u>(21,618)</u>
0	0	0	314,150	313,207	943
0	0	0	1,331,365	1,319,795	11,570
0	0	0	180,219	155,390	24,829
498	496	2	407,946	351,572	56,374
0	0	0	88,529	44,385	44,144
8,875	8,519	356	9,205	8,812	393
<u>9,373</u>	<u>9,015</u>	<u>358</u>	<u>2,331,414</u>	<u>2,193,161</u>	<u>138,253</u>
12,202	15,933	3,731	(351,339)	(234,704)	116,635
0	0	0	153,300	588	(152,712)
0	0	0	(150,000)	0	150,000
12,202	15,933	3,731	(348,039)	(234,116)	113,923
169,467	169,467	0	787,438	787,438	0
246	246	0	41,774	41,774	0
<u>\$181,915</u>	<u>\$185,646</u>	<u>\$3,731</u>	<u>\$481,173</u>	<u>\$595,096</u>	<u>\$113,923</u>

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Non-Expendable Trust</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>		
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$378,626	\$0	\$0	\$378,626
Cash Received from Contributions and Donations	0	0	15,862	15,862
Cash Received from Quasi-External Transactions with Other Funds	0	1,132,657	0	1,132,657
Cash Received from Other Operating Revenues	6,810	0	0	6,810
Cash Payments to Suppliers for Goods and Services	(353,080)	(151,233)	(248)	(504,561)
Cash Payments for Employees Services	(313,207)	0	0	(313,207)
Cash Payments for Employee Benefits	(117,214)	0	0	(117,214)
Cash Payments for Other Operating Expenses	(293)	0	(8,519)	(8,812)
Cash Payments for Claims	0	(1,202,581)	0	(1,202,581)
Net Cash Provided by (Used) for Operating Activities	<u>(398,358)</u>	<u>(221,157)</u>	<u>7,095</u>	<u>(612,420)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	386,777	0	0	386,777
Operating Transfers In	588	0	0	588
Net Cash Provided by Noncapital Financing Activities	<u>387,365</u>	<u>0</u>	<u>0</u>	<u>387,365</u>
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	<u>(43,735)</u>	<u>0</u>	<u>0</u>	<u>(43,735)</u>
Cash Flows from Investing Activities:				
Interest	<u>2,228</u>	<u>26,411</u>	<u>9,086</u>	<u>37,725</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,500)	(194,746)	16,181	(231,065)
Cash and Cash Equivalents at Beginning of Year	<u>127,784</u>	<u>531,715</u>	<u>169,713</u>	<u>829,212</u>
Cash and Cash Equivalents at End of Year	<u>75,284</u>	<u>336,969</u>	<u>185,894</u>	<u>598,147</u>

See accompanying notes to the general financial statements

	Proprietary Fund Types			Total (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	<u>(449,855)</u>	<u>(211,657)</u>	<u>7,095</u>	<u>(654,417)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	15,433	0	0	15,433
Donated Commodities Used During Year	43,379	0	0	43,379
Non-Expendable Trust Fund Interest	0	0	0	0
Changes in Assets and Liabilities:				0
Decrease in Accounts Receivable	0	0	0	0
(Increase)/Decrease in Accrued Interest Receivable	0	0	0	0
(Increase)/Decrease in Intergovernmental Receivable	0	0	0	0
(Increase)/Decrease in Due from Other Funds	0	0	0	0
Decrease in Prepaid Items	37	0	0	37
Increase in Inventory Held for Resale	(1,033)	0	0	(1,033)
Increase in Materials and Supplies Inventory	(3,733)	0	0	(3,733)
Increase/(Decrease) in Accounts Payable	(10,294)	500	0	(9,794)
Increase in Accrued Wages	10,334	0	0	10,334
Decrease in Compensated Absences Payable	(5,832)	0	0	(5,832)
Increase in Intergovernmental Payable	1,083	0	0	1,083
Decrease in Claims Payable	0	(10,000)	0	(10,000)
Increase in Deferred Revenue	2,123	0	0	2,123
Total Adjustments	<u>51,497</u>	<u>(9,500)</u>	<u>0</u>	<u>41,997</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$398,358)</u>	<u>(\$221,157)</u>	<u>\$7,095</u>	<u>(\$612,420)</u>

Reconciliation of Non-Expendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$346,580
Cash and Cash Equivalents - Expendable Trust and Agency Funds	<u>160,686</u>
Cash and Cash Equivalents - Non Expendable Trust Fund	<u>\$185,894</u>

See accompanying notes to the general financial statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Cambridge City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines. The board controls the School District's eight instructional facilities and one support facility staffed by 127 non-certified employees and 227 certificated full time teaching personnel who provide services to 2,888 students and other community members. The School District is located in Cambridge, Ohio. Cambridge City School District operated six elementary schools, one junior high school and one high school.

Reporting Entity:

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

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

The School District is associated with two jointly governed organizations, the Ohio Mid-Eastern Educational Service Agency and the Mid-East Ohio Joint Vocational School and, the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as a group insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cambridge City 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - These funds are used to account for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursements basis.

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-Expendable trust funds are accounted for in essentially the same manner as proprietary funds; the principal of the trust must be preserved intact. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental and expendable trust 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 the governmental funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the non-expendable trust fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Guernsey County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, is within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents/Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to STAR Ohio, common stock and federal agency securities. Prior to the close of the fiscal year, the federal agency securities matured.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue was credited during fiscal year 1999 to the following funds: general; permanent improvement capital projects fund; food service enterprise fund; self-insurance internal service fund; outdoor education, public support, student activities, auxiliary services special revenue funds; and trust funds. Interest assigned to the general fund from other funds amounted to \$47,479.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Estimates

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

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District has also elected to capitalize certain other fixed assets with an original cost below the three hundred dollar threshold. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement
- Equity Funds

Non-Reimbursable Grants

Special Revenue Funds

- Dwight D. Eisenhower
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Textbook Subsidy
- Technology Equity
- Title VI-B
- Drug-Free Schools
- Goals 2000 Intervention
- Professional Development Block Grant
- Conflict Management
- Auxiliary Services
- Deaf Studies Grant
- Continuous Improvement Grant

Reimbursable Grants

General Fund

- Driver Education

Capital Projects Funds

- School Net Plus
- Library Automation
- Federal Emergency Management
- Emergency Repair

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately sixty-six percent of the School District's operating revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

L. 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 unused vacation time when earned for all employees with more than one year of service.

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 and administrative employees after 15 years of current service with the School District and classified employees after five years of current service based on historical employment trends and negotiated agreements..

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District reserves those portions of fund equity 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, inventories of supplies and materials, property taxes, budget stabilization, school bus purchases and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - FUND DEFICIT

At June 30, 1999, the following fund had a deficit fund balance:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Title I	\$29,164

The deficit fund balance was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Statutes prohibit expenditures from exceeding appropriations at the School District's legal level of control. During May, 1999, expenditures exceeded appropriations in the Internal Service Self Insurance Fund in the amount of \$365,241. In several instances throughout the year, expenditures exceeded appropriations at the object level, the School District's legal level of control.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types and Non-Expendable Trust Funds are 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 basis are that:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$604,503)	\$216,882	\$529	\$700,145	(\$2,182)
Revenue Accruals	15,175	0	(529)	6,455	0
Expenditure Accruals	100,463	(3,774)	0	46,287	0
Prepaid Items	1,454	0	0	0	0
Material and Supplies Inventory	40,578	0	0	0	0
Encumbrances	(69,066)	(27,530)	0	(205,477)	(180)
Budget Basis	<u>(\$515,899)</u>	<u>\$185,578</u>	<u>\$0</u>	<u>\$547,410</u>	<u>(\$2,362)</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types and Non-Expendable Trust Funds

	Enterprise	Internal Service	Non- Expendable Trust
GAAP Basis	(\$16,883)	(\$188,395)	\$16,181
Revenue Accrual	0	3,149	0
Expense Accrual	(49,421)	(9,500)	0
Capital Outlay	(43,735)	0	0
Materials and Supplies Inventory	24,175	0	0

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Inventory Held for Resale	17,931	0	0
Depreciation Expense	15,433	0	0
Encumbrances	(1,053)	(1,750)	(248)
Budget Basis	(\$53,553)	(\$196,496)	\$15,933

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);and

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$3,367,235 and the bank balance was \$3,865,287.

1. \$1,715,287 of the bank balance was covered by federal depository insurance or by collateral held by the pledging financial institution's trust department in the name of the School District; and
2. \$2,150,000 was uninsured and uncollateralized.

Statutes require the School District to obtain collateral for all funds on deposit. At times during the year, and at year end, the School District permitted funds on deposit to be uncollateralized.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Unclassified	Fair Value
Common Stock	\$18,160	\$0	\$18,160
STAR Ohio	0	2,675,769	2,675,769
Total	<u>\$18,160</u>	<u>\$2,675,769</u>	<u>\$2,693,929</u>

The STAR Ohio investment of \$2,675,769 includes \$60,000 representing monies invested from the School District's payroll clearing account.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,983,004	\$18,160
Investments:		
STAR Ohio	(2,675,769)	2,675,769
Cash in Payroll Clearing Account	60,000	0
GASB Statement 3	<u>\$3,367,235</u>	<u>\$2,693,929</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$118,900,680	72.42%	\$120,218,940	72.63%
Public Utility	20,116,280	12.25%	19,920,430	12.04%
Tangible Personal Property	25,156,760	15.33%	25,380,110	15.33%
Total Assessed Value	<u>\$164,173,720</u>	<u>100.00%</u>	<u>\$165,519,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.72		\$43.72	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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 Counties by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding, real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Taxes receivable at June 30, 1999, is greater than actual tax revenue for fiscal year 1999 due to the increase in assessed values. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, at June 30, 1999 was \$1,715,000 and is recognized as revenue. \$1,602,097 was available to the general fund, \$17,403 was available to the debt service fund, and \$95,500 was available to the capital projects fund. At June 30, 1998, \$1,789,383 was available to the School District. \$1,670,554 was available to the general fund, \$16,874 was available to the debt service fund, and \$101,955 was available to the capital project fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts, 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. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Miscellaneous Reimbursements and Tuition	\$6,540

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$378,679
Less Accumulated Depreciation	<u>(272,912)</u>
Net Fixed Assets	<u><u>\$105,767</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$186,846	\$0	\$0	\$186,846
Buildings and Improvements	12,901,653	111,541	0	13,013,194
Furniture and Fixtures	1,232,002	52,177	0	1,284,179
Machinery and Equipment	1,505,903	378,909	29,130	1,855,682
Vehicles	446,373	118,236	113,161	451,448
Totals	<u><u>\$16,272,777</u></u>	<u><u>\$660,863</u></u>	<u><u>\$142,291</u></u>	<u><u>\$16,791,349</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 10 - RISK MANAGEMENT

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 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, boiler and machinery coverage, and professional liability. The policies carry a \$5,000,000 aggregate limit.

Vehicles are covered by Nationwide Insurance Company and hold a \$50 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

A \$50,000 performance bond is maintained for the treasurer, while \$20,000 performance bonds are maintained for the superintendent and board president. All other employees are covered by a \$20,000 blanket bond. All bonds are held through the Ohio Farmers Insurance Companies.

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.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District maintains a self-funded insurance program through Medical Claims Service for dental and medical coverage. The dental coverage premiums are \$33.90 monthly for family and single coverage and is offered to all School District employees. This health insurance option is only offered to the certified and administrative employees of the School District. The School District is responsible for payment of all claim amounts in excess of the employees' payment percentages established in the plan document.

Premiums for the dental and medical coverage are paid to a third party administrator, Medical Claims Service, Inc. The claims are processed by the third party administrator and monitored by a School District insurance administrator in conjunction with the third party administrator. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and contract services are paid from the self-insurance internal service fund. The claims liability of \$242,000 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 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 the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A summary of the funds' claims liability in 1998 and 1999 was:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$116,830	\$1,188,317	\$1,053,147	\$252,000
1999	\$252,000	\$1,192,581	\$1,202,581	\$242,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$152,900, \$193,458, and \$193,452, respectively; 42.2 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for the fiscal years 1998 and 1997. \$88,371 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were 454,067, \$844,641, and \$928,416, respectively; 79.42 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for the fiscal years 1998 and 1997. \$93,431 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System of the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 1999, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$605,422 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, during the 1999 year equaled \$162,101.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provided for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work 260 days per year, earn ten to twenty-five days of vacation per 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 230 days for certified employees and 235 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 160 unused sick leave days, or a maximum payment of 40 days, plus one day of severance pay for each ten days of accumulated sick leave beyond 160 days. An estimate of probable future payments for sick leave was made based upon historical employment information. Classified employees, after 5 years of service, receive payment for one-third of the total sick leave accumulation, up

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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. Health/Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through J.W. Didion and Associates, in the amount of \$30,000 for classified employees, \$25,000 for certified employees and up to \$100,000 for administrators.

The School District participates in a health maintenance organization, Preferred Health Plans. Premiums for this coverage are \$226.38 for single coverage, and \$588.59 for family coverage. All premiums are paid to United Health Care of Ohio, Inc. This option is offered only to classified employees.

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
Energy Conservation Note 1993 4.87%	\$825,000	\$0	\$150,000	\$675,000
Pension Obligation	104,592	129,034	104,592	129,034
Compensated Absences	1,011,370	545,013	591,757	964,626
Total General Long-Term Obligations	<u>\$1,940,962</u>	<u>\$674,047</u>	<u>\$846,349</u>	<u>\$1,768,660</u>

Energy Conservation Loan - On May 1, 1993, the Cambridge City School District issued \$1,470,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The loan will be paid from energy savings realized from the energy conservation measures transferred from the general fund to the debt service fund.

Compensated absences and the pension obligation, which represents contractually required pension contributions will be paid from the funds which the employees' salaries are paid.

Principal and interest requirements to retire general obligation debt, outstanding at June 30, 1999 are as follows:

Fiscal Year	Principal	Interest	Total
2000	\$155,000	\$34,805	\$189,805
2001	165,000	27,055	192,055
2002	175,000	18,640	193,640
2003	180,000	9,540	189,540
Total	<u>\$675,000</u>	<u>\$90,040</u>	<u>\$765,040</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Cambridge City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$344,432	\$41,004	\$385,436
Depreciation Expense	15,433	0	15,433
Operating Income (Loss)	(452,194)	2,339	(449,855)
Donated Commodities	43,379	0	43,379
Operating Grants	386,777	0	386,777
Interest	2,228	0	2,228
Transfer In	0	588	588
Net Income	(19,810)	2,927	(16,883)
Fixed Asset Additions	43,735	0	43,735
Net Working Capital	(28,465)	19,377	(9,088)
Total Assets	203,780	19,377	223,157
Total Equity	77,302	19,377	96,679
Encumbrances Outstanding at June 30, 1999	\$650	\$403	\$1,053

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

MID-EAST OHIO JOINT VOCATIONAL SCHOOL DISTRICT - The Mid-East Ohio Joint Vocational School District is a jointly governed organization providing vocational services to its thirteen member school districts. The joint vocational school is governed by a board of education comprised of thirteen members appointed by the participating schools and county boards of education. The board controls the financial activity of the joint vocational school and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the joint vocational school is not dependent on the Cambridge City School District's continued participation and no equity interest exists.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 17 - INSURANCE PURCHASING POOL

OHIO SCHOOL BOARDS ASSOCIATION WORKERS' COMPENSATION GROUP RATING PLAN - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$8,666,305 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for the budget stabilization. The School District also receives State grant monies for bus purchases. Amounts remaining at year-end are also reported as restricted assets with a corresponding reserve of fund balance.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$91,517	
Current Year Set-aside Requirement	215,130	215,130	107,565	
Current Year Offsets	(40,598)	(849,477)	0	
Qualifying Disbursements	(600,682)	(64,603)	0	
Total	<u>(\$426,150)</u>	<u>(\$698,950)</u>	<u>\$199,082</u>	
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$199,082</u>	\$199,082
Amount restricted for Bus Purchase				<u>35,917</u>
Total Restricted Assets				<u>\$234,999</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations. Cambridge City School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has five school buildings with power systems which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform School Accounting Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Guernsey County collects property taxes for distribution to the District. Guernsey County is responsible for remediating its tax collection system.

The District utilizes an external service organization to process medical claims on behalf of the School District. Medical Claims Service, Inc., has provided the School District with assurances they are year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 1999.

B. Litigation

The School District is not party to legal proceedings.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Agency/Program/Grant	Pass Through Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Education</u>						
Pass through Ohio Department of Education:						
Special Education Grants to States (IDEA Part B) - Title I	C1-S1 98	84.010	\$132,299	\$ -	\$134,277	\$ -
	C1-S1 98 C	84.010	60,655	-	60,735	-
	C1-S1 99	84.010	623,102	-	546,995	-
	C1-SD 99	84.010	<u>10,797</u>	<u>-</u>	<u>2,806</u>	<u>-</u>
Total Title I			826,953	-	744,813	-
Special Education Grants to States (IDEA Part B- Title VI-B)	6B-SF-98 P	84.027	-	-	37,651	-
	6B-SF-99 P	84.027	<u>153,955</u>	<u>-</u>	<u>110,141</u>	<u>-</u>
Total Title VI-B			153,955	-	147,792	-
Goals 2000	G2-S1-97 C	84.276	-	-	3,749	-
	G2-S4-98	84.276	<u>-</u>	<u>-</u>	<u>2,157</u>	<u>-</u>
Total Goals 2000			-	-	5,906	-
Eisenhower Professional Development State Grant	MS-S1-97	84.281	-	-	6,514	-
	MS-S1-98	84.281	-	-	15,455	-
	MS-S1-99	84.281	<u>18,594</u>	<u>-</u>	<u>9,051</u>	<u>-</u>
Total Eisenhower Professional Development State Grant			18,594	-	31,020	-
Innovative Education Program Strategies	C2-S1-98	84.298	-	-	2,431	-
	C2-S1-99	84.298	<u>11,408</u>	<u>-</u>	<u>11,408</u>	<u>-</u>
Total Innovative Education Program Strategies			11,408	-	13,839	-
Drug Free Schools Grant	DR-S1-98	84.186	-	-	4,714	-
	DR-S1-98 P	84.186	-	-	13,504	-
	DR-S1-99	84.186	<u>15,072</u>	<u>-</u>	<u>9,719</u>	<u>-</u>
Total Drug Free Schools Grant			<u>15,072</u>	<u>-</u>	<u>27,937</u>	<u>-</u>
Total U.S. Department of Education			1,025,982	-	971,307	-

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Agency/Program/Grant	Pass Through Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Labor</u>						
Passed Through Ohio Department of Education:						
Employment Services and Job Training Pilot and Demonstration Programs	STW-99	17.249	<u>15,000</u>	-	<u>2,408</u>	-
Total U.S. Department of Labor			15,000	-	2,408	-
<u>Federal Emergency Management Agency</u>						
Passed Through Ohio Department of Public Safety:						
Disaster Assistance	1227-DR-059-9100	83.544	<u>14,614</u>	-	<u>7,705</u>	-
Total Federal Emergency Management Agency			14,614	-	7,705	-
<u>U.S. Department of Agriculture</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550	-	46,347	-	43,379
School Breakfast Program	05PU	10.553	73,115	-	73,115	-
Summer Food Program	04PU	10.555	<u>313,662</u>	-	<u>313,662</u>	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>386,777</u>	<u>46,347</u>	<u>386,777</u>	<u>\$43,379</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,442,373</u>	<u>\$46,347</u>	<u>\$1,368,197</u>	<u>\$43,379</u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL 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 general purpose financial statements of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-11030-001 and 1999-11030-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated January 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 12, 2000.

This report is intended for the information and use of the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

January 12, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of 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 are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. 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 generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to its major federal program for the year ended June 30, 1999.

Internal Control over Compliance

The management of the School District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

January 12, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

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

Finding Number	1999-11030-001
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. As the Board adopts its appropriation measures at the object level within each fund and function, expenditures may not exceed appropriations at the object level, the School District's legal level of control.

During May, 1999, expenditures exceeded appropriations in the Internal Service Self Insurance Fund in the amount of \$365,241. In addition, in several instances throughout the year, expenditures exceeded appropriation measures at the object level, although total fund expenditures did not exceed total fund appropriations, in most cases.

We recommend management monitor budgetary information and amend appropriations as necessary throughout the year. Expenditures should not be made until adequate appropriations are adopted.

Finding Number	1999-11030-002
-----------------------	-----------------------

Ohio Rev. Code Section 135.18 states that the Treasurer of a subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times.

At times during the year, including at June 30, a portion of the School District's funds on deposit were not collateralized. In the event of a default by the bank, the School District could recognize a financial loss.

We recommend the School District monitor bank balances regularly to assure all deposits are adequately collateralized.

3. FINDINGS FOR FEDERAL AWARDS

None.

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-11030-001	During fiscal year 1999, numerous appropriation amendments were Board approved and filed with the County Auditor's Office reflecting the Treasurer's effort to keep expenditures from exceeding appropriations. Expenditures exceeded appropriations for the Self-Insurance Fund by a material amount in only one month of the year. The Treasurer has taken steps to ensure monies are not expended until they are properly appropriated in all instances.	Done.	William Wilkinson, Treasurer
1999-11030-002	Although the financial institution had adequate collateral available from the Federal Home Loan Bank to specifically pledge to the School District, a bank oversight allowed the School District's funds on deposit to exist uncollateralized. The financial institution has since pledged adequate collateral.	Done.	William Wilkinson, Treasurer



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CAMBRIDGE CITY SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2000**