



**Auditor of State
Betty Montgomery**

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying 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, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003

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CAMBRIDGE CITY SCHOOLS

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 375,366	\$ 819,910	\$ 218,880	\$ 606,925
Restricted Cash and Cash Equivalents	148,386	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	28,046,975
Investments	3,662,314	0	0	0
Receivables:				
Taxes	5,436,137	109,862	978,590	0
Accrued Interest	36,786	0	0	0
Intergovernmental	38,792	30,071	0	13,104,300
Prepaid Items	24,349	0	0	0
Inventory	40,233	0	0	0
Fixed Assets (Net)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 9,762,363	\$ 959,843	\$ 1,197,470	\$ 41,758,200
Liabilities				
Accounts Payable	\$ 11,376	\$ 2,766	\$ 0	\$ 0
Contracts Payable	0	0	0	3,005,023
Accrued Wages and Benefits	1,559,507	181,119	0	0
Compensated Absences Payable	23,326	0	0	0
Intergovernmental Payable	320,633	31,968	0	0
Deferred Revenue	3,982,342	83,731	705,694	13,104,300
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
Total Liabilities	5,897,184	299,584	705,694	16,109,323
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings: Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	280,225	35,096	13,346	18,717,075
Reserved for Inventory	40,233	0	0	0
Reserved for Taxes Unavailable for Appropriation	1,469,118	29,690	272,896	0
Reserved for Contributions	0	0	0	0
Reserved for Bus Purchases	56,868	0	0	0
Reserved for BWC Refunds	91,517	0	0	0
Unreserved: Undesignated	1,927,218	595,473	205,534	6,931,802
Total Fund Equity and Other Credits	3,865,179	660,259	491,776	25,648,877
Total Liabilities, Fund Equity and Other Credits	\$ 9,762,363	\$ 959,843	\$ 1,197,470	\$ 41,758,200

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 65,400	\$ 270,534	\$ 558,422	\$ 0	\$ 0	\$ 2,915,437
0	0	0	0	0	148,386
0	0	0	0	0	28,046,975
0	0	0	0	0	3,662,314
0	0	0	0	0	6,524,589
0	0	0	0	0	36,786
0	0	0	0	0	13,173,163
0	0	0	0	0	24,349
9,515	0	0	0	0	49,748
70,329	0	0	28,701,817	0	28,772,146
0	0	0	0	491,776	491,776
0	0	0	0	8,141,156	8,141,156
0	0	0	0	829,252	829,252
<u>\$ 145,244</u>	<u>\$ 270,534</u>	<u>\$ 558,422</u>	<u>\$ 28,701,817</u>	<u>\$ 9,462,184</u>	<u>\$ 92,816,077</u>
\$ 2,186	\$ 0	\$ 142	\$ 0	\$ 0	\$ 16,470
0	0	0	0	0	3,005,023
61,250	0	0	0	0	1,801,876
39,692	0	0	0	1,197,995	1,261,013
13,487	0	0	0	0	366,088
2,209	0	0	0	0	17,878,276
0	0	46,335	0	0	46,335
0	0	0	0	151,379	151,379
0	425,000	0	0	0	425,000
0	0	0	0	8,112,810	8,112,810
<u>118,824</u>	<u>425,000</u>	<u>46,477</u>	<u>0</u>	<u>9,462,184</u>	<u>33,064,270</u>
0	0	0	28,701,817	0	28,701,817
287,092	0	0	0	0	287,092
(260,672)	(154,466)	0	0	0	(415,138)
0	0	0	0	0	19,045,742
0	0	0	0	0	40,233
0	0	0	0	0	1,771,704
0	0	342,323	0	0	342,323
0	0	0	0	0	56,868
0	0	0	0	0	91,517
0	0	169,622	0	0	9,829,649
<u>26,420</u>	<u>(154,466)</u>	<u>511,945</u>	<u>28,701,817</u>	<u>0</u>	<u>59,751,807</u>
<u>\$ 145,244</u>	<u>\$ 270,534</u>	<u>\$ 558,422</u>	<u>\$ 28,701,817</u>	<u>\$ 9,462,184</u>	<u>\$ 92,816,077</u>

CAMBRIDGE CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 4,691,614	\$ 75,972	\$ 775,387	\$ 37,441
Intergovernmental	10,961,693	1,896,077	80,107	22,003,624
Investment Income	222,306	4,324	0	816,494
Tuition and Fees	116,813	0	0	0
Extracurricular Activities	0	182,156	0	0
Miscellaneous	65,560	14,489	0	39,354
Total Revenues	16,057,986	2,173,018	855,494	22,896,913
Expenditures				
Instruction:				
Regular	8,211,303	673,499	0	120,018
Special	1,370,952	699,696	0	0
Vocational	371,633	0	0	0
Other	421,332	0	0	0
Support Services:				
Pupils	569,704	200,878	0	0
Instructional Staff	453,774	276,039	0	0
Board of Education	34,787	0	0	0
Administration	1,734,845	56,547	0	0
Fiscal	445,997	2,220	16,654	4,447
Business	151,975	0	0	0
Operation and Maintenance of Plant	1,399,422	0	0	0
Pupil Transportation	719,054	601	0	0
Central	47,912	13,245	0	0
Operation of Non-Instructional Services	8,550	62,558	0	0
Extracurricular Activities	202,268	213,057	0	0
Capital Outlay	9,308	0	0	11,933,973
Debt Service:				
Principal Retirement	0	0	365,000	0
Interest and Fiscal Charges	0	0	436,405	0
Total Expenditures	16,152,816	2,198,340	818,059	12,058,438
Excess of Revenues Over (Under) Expenditures	(94,830)	(25,322)	37,435	10,838,475
Other Financing Sources (Uses)				
Transfers In	0	11,673	0	0
Transfers Out	(10,114)	0	0	0
Total Other Financing Sources (Uses)	(10,114)	11,673	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(104,944)	(13,649)	37,435	10,838,475
Fund Balances at Beginning Of Year	3,971,615	673,908	454,341	14,810,402
Increase (Decrease) in Reserve for Inventory	(1,492)	0	0	0
Fund Balances at End of Year	\$ 3,865,179	\$ 660,259	\$ 491,776	\$ 25,648,877

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$ 0	\$ 5,580,414
0	34,941,501
4,614	1,047,738
0	116,813
437	182,593
1,200	120,603
<u>6,251</u>	<u>41,989,662</u>
810	9,005,630
0	2,070,648
0	371,633
0	421,332
0	770,582
3,532	733,345
0	34,787
0	1,791,392
0	469,318
0	151,975
0	1,399,422
0	719,655
0	61,157
6,350	77,458
0	415,325
0	11,943,281
0	365,000
0	436,405
<u>10,692</u>	<u>31,238,345</u>
(4,441)	10,751,317
0	11,673
0	(10,114)
<u>0</u>	<u>1,559</u>
(4,441)	10,752,876
118,038	20,028,304
<u>0</u>	<u>(1,492)</u>
<u>\$ 113,597</u>	<u>\$ 30,779,688</u>

CAMBRIDGE CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 4,950,000	\$ 4,953,728	\$ 3,728
Intergovernmental	10,941,129	10,955,904	14,775
Investment Income	250,450	219,579	(30,871)
Tuition and Fees	125,000	116,813	(8,187)
Extracurricular Activities	0	0	0
Miscellaneous	13,000	15,059	2,059
Total Revenues	16,279,579	16,261,083	(18,496)
<u>Expenditures</u>			
Instruction			
Regular	8,493,550	8,170,752	322,798
Special	1,371,102	1,348,686	22,416
Vocational	383,800	368,934	14,866
Other	373,400	458,488	(85,088)
Support Services			
Pupils	605,319	567,780	37,539
Instructional Staff	387,279	450,529	(63,250)
Board of Education	46,975	35,849	11,126
Administration	1,822,047	1,753,222	68,825
Fiscal	470,050	464,016	6,034
Business	159,225	153,739	5,486
Operation and Maintenance of Plant	1,500,538	1,574,819	(74,281)
Pupil Transportation	833,672	754,419	79,253
Central	59,596	53,299	6,297
Operation of Non-Instructional Services	13,720	9,930	3,790
Extracurricular Activities	215,000	220,578	(5,578)
Capital Outlay	11,200	5,064	6,136
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	16,746,473	16,390,104	356,369
Excess of Revenues Over (Under) Expenditures	(466,894)	(129,021)	337,873
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Assets	250	0	(250)
Refund of Prior Year Expenditures	50,000	50,501	501
Operating Transfers In	1,000	0	(1,000)
Operating Transfers Out	(10,114)	(10,114)	0
Total Other Financing Sources (Uses)	41,136	40,387	(749)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(425,758)	(88,634)	337,124
Fund Balances at Beginning of Year	3,928,605	3,928,605	0
Prior Year Encumbrances Appropriated	44,048	44,048	0
Fund Balances at End of Year	\$ 3,546,895	\$ 3,884,019	\$ 337,124

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 83,500	\$ 82,334	\$ (1,166)	\$ 813,640	\$ 811,159	\$ (2,481)
1,895,151	1,869,565	(25,586)	81,067	80,107	(960)
8,125	4,324	(3,801)	0	0	0
0	0	0	0	0	0
194,550	182,156	(12,394)	0	0	0
26,750	14,462	(12,288)	0	0	0
<u>2,208,076</u>	<u>2,152,841</u>	<u>(55,235)</u>	<u>894,707</u>	<u>891,266</u>	<u>(3,441)</u>
767,175	712,944	54,231	0	0	0
924,867	709,193	215,674	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
233,569	200,806	32,763	0	0	0
396,877	293,067	103,810	0	0	0
0	0	0	0	0	0
70,582	66,664	3,918	0	0	0
2,500	5,000	(2,500)	20,000	30,000	(10,000)
0	0	0	0	0	0
0	0	0	0	0	0
8,627	601	8,026	0	0	0
19,684	13,245	6,439	0	0	0
102,050	66,239	35,811	0	0	0
239,856	215,919	23,937	0	0	0
0	0	0	0	0	0
0	0	0	365,000	365,000	0
0	0	0	436,405	436,405	0
<u>2,765,787</u>	<u>2,283,678</u>	<u>482,109</u>	<u>821,405</u>	<u>831,405</u>	<u>(10,000)</u>
<u>(557,711)</u>	<u>(130,837)</u>	<u>426,874</u>	<u>73,302</u>	<u>59,861</u>	<u>(13,441)</u>
0	0	0	0	0	0
0	27	27	0	0	0
12,000	11,673	(327)	0	0	0
0	0	0	0	0	0
<u>12,000</u>	<u>11,700</u>	<u>(300)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(545,711)	(119,137)	426,574	73,302	59,861	(13,441)
859,775	859,775	0	145,674	145,674	0
41,409	41,409	0	0	0	0
<u>\$ 355,473</u>	<u>\$ 782,047</u>	<u>\$ 426,574</u>	<u>\$ 218,976</u>	<u>\$ 205,535</u>	<u>\$ (13,441)</u>

(Continued)

CAMBRIDGE CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual - Budgetary Basis*
All Governmental Fund Types and Expendable Trust Funds (Continued)
 For the Year Ended June 30, 2002

	Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 185,000	\$ 168,404	\$ (16,596)
Intergovernmental	22,153,875	22,003,624	(150,251)
Investment Income	835,000	816,494	(18,506)
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	40,000	39,350	(650)
Total Revenues	23,213,875	23,027,872	(186,003)
Expenditures			
Instruction			
Regular	262,923	227,204	35,719
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	10,000	4,447	5,553
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	10,313,193	9,249,759	1,063,434
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	10,586,116	9,481,410	1,104,706
Excess of Revenues Over (Under) Expenditures	12,627,759	13,546,462	918,703
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	12,627,759	13,546,462	918,703
Fund Balances at Beginning of Year	14,815,221	14,815,221	0
Prior Year Encumbrances Appropriated	185,421	185,421	0
Fund Balances at End of Year	\$ 27,628,401	\$ 28,547,104	\$ 918,703

The notes to the financial statements are an integral part of this statement.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 6,032,140	\$ 6,015,625	\$ (16,515)
0	0	0	35,071,222	34,909,200	(162,022)
6,995	4,614	(2,381)	1,100,570	1,045,011	(55,559)
0	0	0	125,000	116,813	(8,187)
500	437	(63)	195,050	182,593	(12,457)
1,600	1,200	(400)	81,350	70,071	(11,279)
<u>9,095</u>	<u>6,251</u>	<u>(2,844)</u>	<u>42,605,332</u>	<u>42,339,313</u>	<u>(266,019)</u>
1,500	810	690	9,525,148	9,111,710	413,438
0	0	0	2,295,969	2,057,879	238,090
0	0	0	383,800	368,934	14,866
0	0	0	373,400	458,488	(85,088)
0	0	0	838,888	768,586	70,302
5,685	3,532	2,153	789,841	747,128	42,713
0	0	0	46,975	35,849	11,126
0	0	0	1,892,629	1,819,886	72,743
0	0	0	502,550	503,463	(913)
0	0	0	159,225	153,739	5,486
0	0	0	1,500,538	1,574,819	(74,281)
0	0	0	842,299	755,020	87,279
0	0	0	79,280	66,544	12,736
6,371	6,350	21	122,141	82,519	39,622
0	0	0	454,856	436,497	18,359
0	0	0	10,324,393	9,254,823	1,069,570
0	0	0	365,000	365,000	0
0	0	0	436,405	436,405	0
<u>13,556</u>	<u>10,692</u>	<u>2,864</u>	<u>30,933,337</u>	<u>28,997,289</u>	<u>1,936,048</u>
<u>(4,461)</u>	<u>(4,441)</u>	<u>20</u>	<u>11,671,995</u>	<u>13,342,024</u>	<u>1,670,029</u>
0	0	0	250	0	(250)
0	0	0	50,000	50,528	528
0	0	0	13,000	11,673	(1,327)
0	0	0	(10,114)	(10,114)	0
0	0	0	53,136	52,087	(1,049)
(4,461)	(4,441)	20	11,725,131	13,394,111	1,668,980
117,355	117,355	0	19,866,630	19,866,630	0
685	685	0	271,563	271,563	0
<u>\$ 113,579</u>	<u>\$ 113,599</u>	<u>\$ 20</u>	<u>\$ 31,863,324</u>	<u>\$ 33,532,304</u>	<u>\$ 1,668,980</u>

CAMBRIDGE CITY SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Fund Equity*

All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<u>Operating Revenues</u>				
Sales	\$ 397,629	\$ 0	\$ 0	\$ 397,629
Charges for Services	37,384	2,160,066	0	2,197,450
Investment Income	0	0	8,422	8,422
Other Operating Revenues	0	0	58,712	58,712
Total Operating Revenues	435,013	2,160,066	67,134	2,662,213
<u>Operating Expenses</u>				
Salaries	356,808	0	0	356,808
Fringe Benefits	125,391	0	0	125,391
Purchased Services	3,582	309,357	0	312,939
Materials and Supplies	432,139	0	180	432,319
Depreciation	14,181	0	0	14,181
Claims Expenses	0	1,965,551	0	1,965,551
Other Operating Expenses	0	0	16,724	16,724
Total Operating Expenses	932,101	2,274,908	16,904	3,223,913
Operating Income (Loss)	(497,088)	(114,842)	50,230	(561,700)
<u>Non-Operating Revenues (Expenses)</u>				
Operating Grants	434,427	0	0	434,427
Donated Commodities	55,127	0	0	55,127
Investment Income	125	10,292	0	10,417
Total Non-Operating Revenues	489,679	10,292	0	499,971
Net Income Before Operating Transfers	(7,409)	(104,550)	50,230	(61,729)
Operating Transfers In	114	0	0	114
Net Income (Loss)	(7,295)	(104,550)	50,230	(61,615)
Retained Earnings/Fund Balances at Beginning of Year	(253,377)	(49,916)	348,118	44,825
Retained Earnings/Fund Balances at End of Year	\$ (260,672)	\$ (154,466)	\$ 398,348	\$ (16,790)

The notes to the financial statements are an integral part of this statement.

CAMBRIDGE CITY SCHOOL DISTRICT

Combined Statement of Cash Flows

All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Nonexpendable</u> <u>Trust</u>	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customers	\$ 397,629	\$ 2,160,066	\$ 0	\$ 2,557,695
Cash Received from Other Sources	37,384	0	67,134	104,518
Cash Paid for Goods and Services	(524,497)	(309,357)	(16,904)	(850,758)
Cash Paid to Employees	(354,813)	0	0	(354,813)
Cash Paid for Claims	0	(2,070,216)	0	(2,070,216)
Net Cash Provided by (Used For) Operating Activities	(444,297)	(219,507)	50,230	(613,574)
<u>Cash Flows From Non-Capital Financing Activities</u>				
Grants	434,427	0	0	434,427
Transfers In	114	0	0	114
Net Cash Provided by Non-Capital Financing Activities	434,541	0	0	434,541
<u>Cash Flows From Investing Activities</u>				
Interest Income	125	10,292	0	10,417
Net Cash Provided by Investing Activities	125	10,292	0	10,417
Net Increase in Cash and Cash Equivalents	(9,631)	(209,215)	50,230	(168,616)
Cash and Cash Equivalents at Beginning of Year	75,031	479,749	348,118	902,898
Cash and Cash Equivalents at End of Year	\$ 65,400	\$ 270,534	\$ 398,348	\$ 734,282
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u>				
Operating Income (Loss)	\$ (497,088)	\$ (114,842)	\$ 50,230	\$ (561,700)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:				
Depreciation	14,181	0	0	14,181
Non-cash Donated Commodities	55,127	0	0	55,127
(Increase) in Inventory	(1,670)	0	0	(1,670)
Increase in Accounts Payable	1,907	0	0	1,907
(Decrease) in Accrued Wages and Benefits	(88)	0	0	(88)
(Decrease) in Compensated Absences Payable	(12,208)	0	0	(12,208)
(Decrease) in Intergovernmental Payable	(4,503)	0	0	(4,503)
Increase in Deferred Revenue	45	0	0	45
(Decrease) in Claims Payable	0	(104,665)	0	(104,665)
Total Adjustments	52,791	(104,665)	0	(51,874)
Net Cash Provided by (Used For) Operating Activities	\$ (444,297)	\$ (219,507)	\$ 50,230	\$ (613,574)
<u>Reconciliation of Cash and Cash Equivalents to the Balance Sheet</u>				
Trust and Agency	\$ 558,422			
Less: Expendable Trust Funds	113,597			
Less: Agency Funds	46,477			
Nonexpendable Trust Fund	<u>\$ 398,348</u>			

The notes to the financial statements are an integral part of this statement.

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Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 128 non-certified employees and 232 certificated full-time teaching personnel who provide services to 2,771 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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District 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.

1. Component Units

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 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. Cambridge City School District does not have any component units.

2. Jointly Governed Organizations

The School District is associated with two jointly governed organizations, the Ohio Mid-Eastern Regional 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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies

The financial statements of 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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 - 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).

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Proprietary Fund Types

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

Enterprise Fund - The enterprise fund is 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 Fund - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Type

Fiduciary funds 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. These include expendable trust funds, non-expendable trust funds, 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.

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 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 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 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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 type 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. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 on 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, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and 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 in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The School District does not budget for advances.

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 2002.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level 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, must be 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 must be approved by the Board of Education. The treasurer allocates the Board's appropriations to the function and other object level.

The Board may pass supplemental fund appropriations provided 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. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. 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

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 2002, investments were limited to STAROhio, common stock and certificates of deposit invested from the general fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Interest revenue was credited during fiscal year 2002 to the following funds: general; outdoor education, public support, student activities, auxiliary services special revenue funds; permanent improvement and school facility construction capital projects funds; food service enterprise fund; self-insurance internal service fund; and trust funds. Interest assigned to the general fund from other funds amounted to \$44,580.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price he investment could be sold for on June 30, 2002.

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.

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 Bureau of Workers' Compensation refunds. See Note 19 for additional information regarding the School District's set-aside requirements.

F. Estimates

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

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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective 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 five hundred dollars. The School District does not possess 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 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 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 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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Non-Reimbursable Grants

Special Revenue Funds

Dwight D. Eisenhower
Management Information System
Disadvantaged Pupil Impact Aid
Title I
Title VI
Safe and Drug Free School Coordinator
School Improvement Incentive Award
Title VI-B
Drug-Free Schools
Data Communications
Auxiliary Services
Interactive Video Distance Learning
Continuous Improvement Grant
School Net Professional Development
Ohio Reads
Safe School Helpline
Title IV-R
Tutorial Assistance

Capital Projects Funds

Technology Equity

Reimbursable Grants

General Fund

Driver Education

Capital Projects Funds

School Net Plus

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to 82% of the School District's governmental fund revenue during the 2002 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."

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 earned for all employees with more than one year of service.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if, a) the employees right to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for benefits through paid time off or other means, such as cash payment at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible in the future, employees with accumulated unused sick leave for certified and administrative employees after 15 years of current service with the School District and classified employees after 5 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, claims and judgements compensated absences, special termination benefits and contractually required pension contributions 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 generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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, BWC refunds, school bus purchases and contributions. 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 BWC refunds represents money where the use is restricted by statute to specific expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

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 fiscal 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 amounts 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. Bond Discounts, Premiums, and Issuance Cost

When the proceeds from general obligation debt are placed in a governmental fund type, any bond issuance costs are shown as expenditures within the fund the bonds are issued. Any premium or discount is included in "Other Financing Sources-Proceeds from Sale of Bonds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the general long-term obligation account group is reported at the bond's face value, plus any accretion associated with the School District's bond issue.

R. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 3 - Accountability

At June 30, 2002, the following funds had a deficit retained earnings:

<i>Enterprise Fund:</i>	
Food service	\$ (282,577)
 <i>Internal Service Fund:</i>	
Self-Insurance	\$ (154,466)

The Enterprise Fund and the Self-Insurance Fund retained earnings deficits resulted from the application of accounting principles generally accepted in the United States of America. The School District will review the operations to determine if steps need to be taken to insure that the funds are self-sustaining.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/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 - (Non-GAAP Budgetary Basis), All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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).

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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	\$(104,944)	\$ (13,649)	\$ 37,435	\$10,838,475	\$ (4,441)
Revenue Accruals	253,598	(20,150)	35,772	130,959	0
Expenditure Accruals	29,820	(47,476)	0	2,683,824	0
Advances					
Prepaid Items	24,349				
Encumbrances	<u>(291,457)</u>	<u>(37,862)</u>	<u>(13,346)</u>	<u>(106,796)</u>	<u>0</u>
Budget Basis	<u>\$ (88,634)</u>	<u>\$(119,137)</u>	<u>\$ 59,861</u>	<u>\$13,546,462</u>	<u>\$ (4,441)</u>

Note 5 – Equity in Pooled Cash, Cash Equivalents, and Investments

State statute classifies 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 monies 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 the 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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

Cambridge City School District
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For the Fiscal Year Ended June 30, 2002

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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in a amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,

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 specified 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 No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Cambridge City School District
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For the Fiscal Year Ended June 30, 2002

Deposits: At year-end, the carrying amount of the School District's deposits was \$34,345,029 and the bank balance was \$34,842,253.

1. \$300,000 of the bank balance was covered by federal depository insurance; and
2. \$34,542,253 was uninsured and uncollateralized. Although the State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District's investments are required to be 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 counterparty'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 counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Uncategorized	Reported Amount	Fair Value
Common stock	\$ 12,314	\$ 0	\$ 12,314	\$ 12,314
STAROhio	0	415,769	415,769	415,769
Total	\$ 12,314	\$ 415,769	\$ 428,083	\$ 428,083

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 Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$ 31,110,798	\$ 3,662,314
Certificate of Deposit with maturity more than 90 days	3,650,000	(3,650,000)
Investments which are part of a cash management pool: STAROhio	<u>(415,769)</u>	<u>415,769</u>
GASB Statement No. 3	<u>\$ 34,345,029</u>	<u>\$ 428,083</u>

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, 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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. 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, payments are 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 the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 138,506,870	74.88%	\$ 138,992,410	77.73%
Public Utility	18,880,200	10.21%	14,242,860	7.97%
Tangible Personal Property	27,592,110	14.91%	25,569,630	14.30%
Total Assessed Value	<u>\$ 184,979,180</u>	<u>100.00%</u>	<u>\$ 178,804,900</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed Valuation		<u>\$ 43.90</u>		<u>\$ 41.20</u>

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2002. 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 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, 2002 was \$1,771,704 and is recognized as revenue. \$1,469,118 was available to the General Fund, \$29,690 was available to the Special Revenue Fund, \$272,896 was available to the Debt Service Fund. At June 30, 2001, \$2,206,913 was available to the School District, \$1,731,232 was available to the General Fund, \$36,052 was available to the Special Revenue Fund, \$308,666 was available to the Debt Service Fund, and \$130,963 was available to the Capital Projects Fund.

Note 7 - Receivables

Receivables at June 30, 2002, consisted of property taxes 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 principal items of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amounts</u>
<u>General Fund</u>	
Miscellaneous Reimbursements	\$ 38,792
<u>Special Revenue Funds</u>	
Miscellaneous Reimbursements	30,071
<u>Capital Project Fund</u>	
Ohio School Facilities Commission Grant	<u>13,104,300</u>
Total - All Funds	<u>\$ 13,173,163</u>

Note 8 - Fixed Assets

A. General Fixed Asset Account Group

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 7/1/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2002</u>
Land and improvements	\$ 1,318,620	\$ 0	\$ 0	\$ 1,318,620
Buildings and improvements	13,350,361	9,029	0	13,359,390
Furniture and fixtures	1,416,363	4,927	0	1,421,290
Machinery and equipment	2,757,393	169,417	0	2,926,810
Vehicles	636,520	24,933	0	661,453
Construction in progress	<u>2,329,854</u>	<u>6,684,400</u>	<u>0</u>	<u>9,014,254</u>
Total General Fixed Assets	<u>\$ 21,809,111</u>	<u>\$ 6,892,706</u>	<u>\$ 0</u>	<u>\$ 28,701,817</u>

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

B. Enterprise Fund

A summary of the Enterprise Fund fixed assets during fiscal year 2002 follows:

Furniture and equipment	\$ 387,586
Less: Accumulated depreciation	<u>317,257</u>
Net fixed assets	<u>\$ 70,329</u>

Note 9 - 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 2002, 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 \$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, assistant superintendent, and board president.

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 2002, the School District participated in 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.

The equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District maintains a self funded insurance program through Professional Claims Management for dental and medical coverage. The dental coverage premiums are \$50.00 monthly for family and single coverage and is offered to all School District employees. The health insurance option is offered to all 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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Premiums for the dental and medical coverage are paid to a third party administrator, Professional Claims Management. 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 \$425,000 reported in the internal service fund at June 30, 2002, 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 2002 and 2001 was:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2001	\$ 212,000	\$ 1,723,392	\$ 1,405,727	\$ 529,665
2002	\$ 529,665	\$ 1,965,551	\$ 2,070,216	\$ 425,000

Note 10 - 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. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% 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 years 2002 and 2001, 5.46% and 4.2% respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$140,690, \$136,789 and \$101,734, respectively; 47% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$74,880 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

Cambridge City School District
Notes to the General Purpose Financial Statements
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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 43215-3371, or by calling (614) 227-4090.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$930,256, \$549,571 and \$533,853, respectively; 83% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$156,799 represents the unpaid contribution for fiscal year 2002 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 or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has selected Social Security. The Board's liability is 6.2% of wages paid.

Note 11 - 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

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 the 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, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$440,648 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54% of covered payroll, a decrease of 1.26% for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$283,776.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 260 days for certified employees and 230 days for classified employees.

Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 160 unused sick leave days, or a maximum payment of 40 days, plus one day of severance pay for each ten days of accumulated sick leave beyond 160 days. An estimate of probable future payments for sick leave was made based upon historical employment information.

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

B. Life Insurance

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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 13 – Contractual Commitments

The School District is continuing the Classroom Facilities Program and has the following outstanding commitments at June 30, 2002:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Classroom Facilities Program – Site/Construction Work	\$ 9,014,254	\$ 31,205,822

The future construction of the School District’s new school buildings in accordance with the School Facilities Commission project are the commitments of the School District’s Capital Projects Fund. This project is being funded by the proceeds of \$8,231,979 in general obligation bonds issued by the School District with the remaining portion funded through the Ohio School Facilities Commission. As of June 30, 2002, the School District recognized contracts payable in the amount of \$3,005,023 regarding this project.

Note 14 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2002 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2002</u>
<u>General Obligation Bonds</u>					
1993 Energy Conservation	4.87%	\$ 355,000	\$ 0	\$ (175,000)	\$ 180,000
2000 School Facility	4.20-5.75%	8,087,097	35,713	(190,000)	7,932,810
Total Long Term Bonds		8,442,097	35,713	(365,000)	8,112,810
<u>Other Long-Term Obligations</u>					
Long-term Pension Obligation		149,474	151,379	(149,474)	151,379
Compensated Absences		1,148,961	49,034	0	1,197,995
Total General Long-Term Obligations		<u>\$ 9,740,532</u>	<u>\$ 236,126</u>	<u>\$ (514,474)</u>	<u>\$ 9,462,184</u>

A. Energy Conservation Bonds

On May 1, 1993, the Cambridge City School District issued \$1,470,000 in unvoted general obligation bonds 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.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

B. Classroom Facilities General Obligation Bonds

On April 18, 2001, the Cambridge City School District issued \$8,231,979 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements retired from the debt service fund. Principal outstanding including the accretion at June 30, 2002 amounted to \$7,932,810. The bond issue consisted of serial, term, and capital appreciation bonds. The term bonds that mature in the year 2020 are subject to mandatory sinking fund redemption.

1. Sinking Fund Redemption

The mandatory sinking fund redemption is to occur on December 1, 2016, and on each December 1st thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$ 455,000
2017	480,000
2018	510,000
2019	540,000

2. Term Bonds

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$ 600,000

The term bonds maturing on December 1, 2002 and thereafter are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2010.

3. Capital Appreciation Bonds

The capital appreciation bonds mature December 1, 2007 and 2008. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value.

Since the interest associated with these bonds is earned and compounded semiannually, the value of the bond increases in proportion to the interest. Therefore, as the value increases, the accretion is recorded as principal. The accretion amount for fiscal year 2002 is \$35,713 and the total accretion amount is \$70,831.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The following is a summary of the School District's annual debt service principal and interest payments regarding the outstanding general obligation debt, as follows:

	Energy Conservation Bonds			School Facility Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 180,000	\$ 6,199	\$ 186,199	\$ 205,000	\$ 408,866	\$ 613,866
2004				220,000	398,875	618,875
2005				250,000	387,588	637,588
2006				270,000	374,910	644,910
2007				290,000	361,117	651,117
2008 - 2012				1,231,979	2,106,942	3,338,921
2013 - 2017				2,060,000	1,248,040	3,308,040
2018 - 2022				2,700,000	585,763	3,285,763
2023				635,000	18,256	653,256
Total	\$ 180,000	\$ 6,199	\$ 186,199	\$ 7,861,979	\$ 5,890,357	\$ 13,752,336

The School District's overall legal debt margin was \$16,092,441 with an unvoted debt margin of \$7,979,631 at June 30, 2002.

C. Other Long-Term Obligations

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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 following table 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, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 397,629	\$ 37,384	\$ 435,013
Operating Expense before Depreciation	877,595	40,325	917,920
Depreciation Expense	14,181	0	14,181
Operating Income (Loss)	(494,147)	(2,941)	(497,088)
Donated Commodities	55,127	0	55,127
Operating Grants	434,427	0	434,427
Interest	125	0	125
Transfer In	0	114	114
Net Income (Loss)	(4,468)	(2,827)	(7,295)
Net Working Capital	(23,913)	21,905	(2,008)
Total Assets	122,589	22,655	145,244
Total Liabilities	118,074	750	118,824
Contributed Capital	287,092	0	287,092
Total Equity	4,515	21,905	26,420
Encumbrances at June 30, 2002	3,290	830	4,120

Note 16 – Jointly Governed Organizations

A. Ohio Mid-Eastern Regional Education Service Agency

The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, 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 total amount paid to the Ohio Mid-Eastern Regional Education Service Agency from the School District for fiscal year 2002 was \$91,421.

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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

B. 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 continued existence of the joint vocational school is not dependent on the Cambridge City School District's continued participation and no equity interest exists.

Note 17 – Insurance Purchasing Pool

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

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

Note 18 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 19 – Statutory Reserves

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

In previous fiscal years, the School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Instructional Materials Reserve
	<u> </u>	<u> </u>	<u> </u>
Set aside cash balances as of June 30, 2001	\$ 91,517	\$ 0	\$ 0
Current year set-aside requirement	0	330,665	330,665
Qualifying Disbursements	0	204,688	241,063
Current year Requirement less Qualifying Disbursements	<u>0</u>	<u>125,977</u>	<u>89,602</u>
Beginning Carryover Offsets/Excess Disbursements	0	1,607,785	216,928
Current Year Offsets/Excess Disbursements	0	790,641	0
Total Available as Offsets/Excess Disbursements	<u>0</u>	<u>2,398,426</u>	<u>216,928</u>
Current Year Application of Offsets/Excess Disbursements	0	125,977	89,602
Offsets/Excess Disbursements to be Carried Forward to Future Years	<u>0</u>	<u>2,272,449</u>	<u>127,326</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$ 91,517</u>	<u>\$ 0</u>	<u>\$ 0</u>

Qualifying disbursements in excess of current year set-aside requirements cannot be carried forward as an offset to future set-aside requirements for capital improvements, but can be carried forward for textbooks and other instructional materials. Certain items eligible to be used as offsets to capital improvement set-aside requirements can be carried forward to apply to requirements of future years.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The School District's qualifying disbursements for textbooks and other instructional materials during the fiscal year were less than the required set-aside amount. However, the School District applied carryover excess disbursements so that a reserve balance was not required to be set-aside. The School District has elected to utilize levy proceeds for the repayment of school facilities debt as an offset. The school District had sufficient offsets to apply to the current fiscal year capital improvements set-aside reserve where no set-aside was required and additional offsets will be carried to future years.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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, 2002.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution Program	N/A	10.550	\$	\$55,172	\$	\$55,127
School Breakfast Program	043695-05PU-2001	10.553	10,911		10,911	
	043695-05PU-2002	10.553	67,951		67,951	
Total School Breakfast Program			78,862		78,862	
National School Lunch Program	043895-LLP4-2001	10.555	39,389		39,389	
	043895-LLP4-2002	10.555	279,667		279,667	
Total School Lunch Program			319,056		319,056	
Lunchroom -- Summer Meals	043695-24PU-2001	10.559	6,181		6,181	
Total U.S. Department of Agriculture - Child Nutrition Cluster			404,099	55,172	404,099	55,127
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	043695-C1S1-2001	84.010	35,099		181,357	
	043695-C1S1-2002	84.010	649,437		493,778	
	043695-C1SD-2001	84.010	1,928		1,928	
	043695-C1SD-2002	84.010	11,446		1,091	
Total Title I			695,982		678,154	
Special Education Grants to States (Title VI-B)	043695-6BSF-2001-P	84.027			61,012	
	043695-6BSF-2002-P	84.027	247,308		167,678	
Total Special Education Grants to States			247,308		228,690	
Title IV, Drug Free Grant	043695-DRS1-2001	84.186			1,782	
	043695-DRS1-2002	84.186	10,796		2,694	
Total Drug Free Grant			10,796		4,476	
Goals 2000 - State and Local Education Systematic Improvement Grants	043695-G2-S2-01	84.276			11,419	
	043695-G2-S2-02				13,955	
Total Goals 2000					25,374	
Eisenhower Professional Development State Grants	043695-MSS1-2001	84.281			13,679	
	043695-MSS1-2002	84.281	19,175		11,773	
Total Eisenhower Professional Development Grants			19,175		25,452	
Innovative Education Program Strategies (Title VI)	043695-C2S1-2001	84.298			7,536	
	043695-C2S1-2002	84.298	14,965		10,754	
Total Innovative Education Program Strategies			14,965		18,290	
Tutorial Assistance Grant	043695-RNS2-2000	84.338	15,260		125,246	
Class Size Reduction (Title VI-R)	043695-CRS1-2002	84.340	134,091		74,362	
Total U.S. Department of Education			1,137,577		1,180,044	
U.S. Federal Emergency Management Agency						
<i>Passed Through Ohio Department of Emergency Management:</i>						
Public Assistance Grants	1227-DR-059-9100	83.544			39,603	
Total U.S. Federal Emergency Management Agency					39,603	
U.S. Department of Health and Human Services						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid, Title XIX)	N/A	93.778	56,145		56,145	
Total U.S. Department of Health and Human Services			56,145		56,145	
Total Federal Awards Receipts and Expenditures			\$1,597,821	\$55,172	\$1,679,891	\$55,127

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 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, 2002, and have issued our report thereon dated March 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting 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 March 10, 2003.

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

This report is intended for the information and use of management, the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Cambridge City School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, 2002.

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.

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www.auditor.state.oh.us

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 10, 2003.

This report is intended for the information and use of the management, the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 10.550, 10.553, 10.555 and 10.559 - Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

No findings to report.

3. FINDINGS FOR FEDERAL AWARDS

No findings to report.



**Auditor of State
Betty Montgomery**

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CAMBRIDGE CITY SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**