



**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	6
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	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Nonexpendable Trust Fund	12
Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Fund	13
Notes to the General Purpose Financial Statements	15
Schedule of Federal Awards Receipts and Expenditures	43
Notes to Schedule of Federal Awards Receipts and Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by Government Auditing Standards	45
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 ...	47
Schedule of Findings - <i>OMB Circular A-133 §.505</i>	49

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Cambridge City School District
Guernsey County
6111 Fairdale Road
Cambridge OH 43725

To Members of 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, 2001, 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, 2001, 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 January 31, 2002, 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.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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 and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 7, 2002

This page intentionally left blank.

This page intentionally left blank.

CAMBRIDGE CITY SCHOOLS

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 681,671	\$ 901,185	\$ 145,675	\$ 3,281,641
Restricted Cash and Cash Equivalents	139,258	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	11,718,997
Investments	3,161,456	0	0	0
Receivables:				
Taxes	5,098,071	106,163	814,218	385,654
Accrued Interest	34,917	0	0	0
Intergovernmental	17,680	0	0	34,958,201
Prepaid Items	6,321	0	0	0
Inventory	41,725	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	\$ 9,181,099	\$ 1,007,348	\$ 959,893	\$ 50,344,493
Liabilities				
Accounts Payable	\$ 41,214	\$ 5,830	\$ 0	\$ 4,870
Contracts Payable	0	0	0	316,329
Accrued Wages and Benefits	1,492,107	221,800	0	0
Compensated Absences Payable	17,613	0	0	0
Intergovernmental Payable	291,711	35,699	0	0
Deferred Revenue	3,366,839	70,111	505,552	35,212,892
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	5,209,484	333,440	505,552	35,534,091
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	19,458	35,993	0	180,551
Reserved for Inventory	41,725	0	0	0
Reserved for Taxes Unavailable for Appropriation	1,731,232	36,052	308,666	130,963
Reserved for Contributions	0	0	0	0
Reserved for Bus Purchases	47,741	0	0	0
Reserved for BWC Refunds	91,517	0	0	0
Unreserved: Designated	107,565	0	0	0
Unreserved: Undesignated	1,932,377	601,863	145,675	14,498,888
Total Fund Equity and Other Credits	3,971,615	673,908	454,341	14,810,402
Total Liabilities, Fund Equity and Other Credits	\$ 9,181,099	\$ 1,007,348	\$ 959,893	\$ 50,344,493

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 74,031	\$ 479,749	\$ 518,935	\$ 0	\$ 0	\$ 6,082,887
0	0	0	0	0	139,258
0	0	0	0	0	11,718,997
0	0	0	0	0	3,161,456
0	0	0	0	0	6,404,106
0	0	0	0	0	34,917
0	0	0	0	0	34,975,881
0	0	0	0	0	6,321
7,845	0	0	0	0	49,570
84,510	0	0	21,809,111	0	21,893,621
0	0	0	0	454,341	454,341
0	0	0	0	8,442,097	8,442,097
0	0	0	0	844,094	844,094
<u>\$ 166,386</u>	<u>\$ 479,749</u>	<u>\$ 518,935</u>	<u>\$ 21,809,111</u>	<u>\$ 9,740,532</u>	<u>\$ 94,207,546</u>
\$ 279	\$ 0	\$ 162	\$ 0	\$ 0	\$ 52,355
0	0	0	0	0	316,329
61,338	0	0	0	0	1,775,245
51,900	0	0	0	1,148,961	1,218,474
17,990	0	0	0	0	345,400
2,164	0	0	0	0	39,157,558
0	0	52,617	0	0	52,617
0	0	0	0	149,474	149,474
0	529,665	0	0	0	529,665
0	0	0	0	8,442,097	8,442,097
<u>133,671</u>	<u>529,665</u>	<u>52,779</u>	<u>0</u>	<u>9,740,532</u>	<u>52,039,214</u>
0	0	0	21,809,111	0	21,809,111
287,092	0	0	0	0	287,092
(254,377)	(49,916)	0	0	0	(304,293)
0	0	0	0	0	236,002
0	0	0	0	0	41,725
0	0	0	0	0	2,206,913
0	0	283,611	0	0	283,611
0	0	0	0	0	47,741
0	0	0	0	0	91,517
0	0	0	0	0	107,565
0	0	182,545	0	0	17,361,348
<u>32,715</u>	<u>(49,916)</u>	<u>466,156</u>	<u>21,809,111</u>	<u>0</u>	<u>42,168,332</u>
<u>\$ 166,386</u>	<u>\$ 479,749</u>	<u>\$ 518,935</u>	<u>\$ 21,809,111</u>	<u>\$ 9,740,532</u>	<u>\$ 94,207,546</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, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 5,038,033	\$ 89,365	\$ 900,564	\$ 341,597
Intergovernmental	10,007,431	2,318,906	74,993	6,763,083
Investment Income	374,886	10,434	0	648,743
Tuition and Fees	7	0	0	0
Extracurricular Activities	0	184,100	0	0
Miscellaneous	93,359	24,988	0	1,675
Total Revenues	<u>15,513,716</u>	<u>2,627,793</u>	<u>975,557</u>	<u>7,755,098</u>
Expenditures				
Instruction:				
Regular	7,626,070	709,455	0	236,869
Special	1,232,566	697,051	0	0
Vocational	397,843	2,812	0	0
Other	347,962	0	0	0
Support Services:				
Pupils	587,478	174,532	0	0
Instructional Staff	296,822	288,861	0	0
Board of Education	52,806	0	0	0
Administration	1,522,599	124,743	0	0
Fiscal	409,629	2,187	16,401	8,818
Business	135,593	0	0	0
Operation and Maintenance of Plant	1,397,132	0	0	6,909
Pupil Transportation	838,284	567	0	0
Central	126,149	13,448	0	0
Operation of Non-Instructional Services	7,147	102,615	0	0
Extracurricular Activities	211,081	223,154	0	0
Capital Outlay	498,585	0	0	2,170,729
Debt Service:				
Principal Retirement	0	0	345,000	0
Interest and Fiscal Charges	0	0	448,323	0
Total Expenditures	<u>15,687,746</u>	<u>2,339,425</u>	<u>809,724</u>	<u>2,423,325</u>
Excess of Revenues Over (Under) Expenditures	(174,030)	288,368	165,833	5,331,773
Other Financing Sources (Uses)				
Proceeds from Sales of Fixed Assets	0	0	0	0
Proceeds from Inception of Capital Lease	0	0	0	0
Transfers In	0	26,000	0	0
Transfers Out	(26,535)	0	0	0
Total Other Financing Sources (Uses)	<u>(26,535)</u>	<u>26,000</u>	<u>0</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(200,565)	314,368	165,833	5,331,773
Fund Balances at Beginning Of Year	4,169,634	359,540	288,508	9,478,629
Increase (Decrease) in Reserve for Inventory	2,546	0	0	0
Fund Balances at End of Year	<u>\$ 3,971,615</u>	<u>\$ 673,908</u>	<u>\$ 454,341</u>	<u>\$ 14,810,402</u>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 0	\$ 6,369,559
0	19,164,413
10,501	1,044,564
0	7
329	184,429
2,900	122,922
<u>13,730</u>	<u>26,885,894</u>
204	8,572,598
0	1,929,617
0	400,655
0	347,962
0	762,010
4,591	590,274
0	52,806
0	1,647,342
0	437,035
0	135,593
0	1,404,041
0	838,851
0	139,597
6,271	116,033
0	434,235
0	2,669,314
0	345,000
0	448,323
<u>11,066</u>	<u>21,271,286</u>
2,664	5,614,608
0	0
0	0
0	26,000
0	(26,535)
<u>0</u>	<u>(535)</u>
2,664	5,614,073
115,374	14,411,685
0	2,546
<u>\$ 118,038</u>	<u>\$ 20,028,304</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, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,885,000	\$ 4,932,290	\$ 47,290
Intergovernmental	9,896,211	10,026,612	130,401
Investment Income	350,450	386,616	36,166
Tuition and Fees	8,000	7	(7,993)
Extracurricular Activities	0	0	0
Miscellaneous	18,000	12,847	(5,153)
Total Revenues	15,157,661	15,358,372	200,711
Expenditures			
Instruction			
Regular	7,826,820	7,651,416	175,404
Special	1,270,597	1,234,769	35,828
Vocational	415,349	393,203	22,146
Other	305,500	348,490	(42,990)
Support Services			
Pupils	646,146	567,484	78,662
Instructional Staff	366,583	306,347	60,236
Board of Education	50,460	51,917	(1,457)
Administration	1,671,378	1,567,488	103,890
Fiscal	415,984	403,752	12,232
Business	164,075	132,287	31,788
Operation and Maintenance of Plant	1,510,212	1,383,751	126,461
Pupil Transportation	830,849	834,404	(3,555)
Central	123,873	116,157	7,716
Operation of Non-Instructional Services	24,625	7,103	17,522
Extracurricular Activities	225,275	210,978	14,297
Capital Outlay	499,250	498,585	665
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	16,346,976	15,708,131	638,845
Excess of Revenues Over (Under) Expenditures	(1,189,315)	(349,759)	839,556
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	250	0	(250)
Refund of Prior Year Expenditures	78,260	80,479	2,219
Refund of Prior Year Receipts	0	0	0
Other Financing Uses	(41,494)	0	41,494
Advances In	12,000	12,000	0
Advances Out	0	0	0
Operating Transfers In	100	0	(100)
Operating Transfers Out	(20,535)	(26,535)	(6,000)
Total Other Financing Sources (Uses)	28,581	65,944	37,363
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,160,734)	(283,815)	876,919
Fund Balances at Beginning of Year	4,022,651	4,022,651	0
Prior Year Encumbrances Appropriated	189,769	189,769	0
Fund Balances at End of Year	\$ 3,051,686	\$ 3,928,605	\$ 876,919

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 80,000	\$ 79,486	\$ (514)	\$ 792,055	\$ 788,199	\$ (3,856)
2,368,414	2,318,906	(49,508)	65,000	74,993	9,993
9,450	10,434	984	0	0	0
0	0	0	0	0	0
204,200	184,100	(20,100)	0	0	0
28,900	24,964	(3,936)	0	0	0
<u>2,690,964</u>	<u>2,617,890</u>	<u>(73,074)</u>	<u>857,055</u>	<u>863,192</u>	<u>6,137</u>
897,447	679,938	217,509	0	0	0
927,078	696,710	230,368	0	0	0
769	2,812	(2,043)	0	0	0
0	0	0	0	0	0
218,201	175,438	42,763	0	0	0
362,954	284,519	78,435	0	0	0
0	0	0	0	0	0
166,316	117,558	48,758	0	0	0
2,500	2,187	313	20,000	16,401	3,599
0	0	0	0	0	0
0	0	0	0	0	0
10,033	567	9,466	0	0	0
21,133	13,448	7,685	0	0	0
117,109	106,189	10,920	0	0	0
279,694	227,105	52,589	0	0	0
0	0	0	0	0	0
0	0	0	345,000	345,000	0
0	0	0	452,733	448,323	4,410
<u>3,003,234</u>	<u>2,306,471</u>	<u>696,763</u>	<u>817,733</u>	<u>809,724</u>	<u>8,009</u>
(312,270)	311,419	623,689	39,322	53,468	14,146
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
25,000	26,000	1,000	0	0	0
0	0	0	0	0	0
<u>25,000</u>	<u>26,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
(287,270)	337,419	624,689	39,322	53,468	14,146
481,049	481,049	0	92,206	92,206	0
41,307	41,307	0	0	0	0
<u>\$ 235,086</u>	<u>\$ 859,775</u>	<u>\$ 624,689</u>	<u>\$ 131,528</u>	<u>\$ 145,674</u>	<u>\$ 14,146</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, 2001

	Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 320,000	\$ 311,781	\$ (8,219)
Intergovernmental	6,854,331	6,763,083	(91,248)
Investment Income	635,000	648,743	13,743
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	1,675	1,675
Total Revenues	7,809,331	7,725,282	(84,049)
Expenditures			
Instruction			
Regular	368,438	237,707	130,731
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	8,818	1,182
Business	0	0	0
Operation and Maintenance of Plant	6,909	6,909	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	2,709,782	2,304,024	405,758
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	3,095,129	2,557,458	537,671
Excess of Revenues Over (Under) Expenditures	4,714,202	5,167,824	453,622
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Other Financing Uses	0	0	0
Advances In	0	0	0
Advances Out	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	4,714,202	5,167,824	453,622
Fund Balances at Beginning of Year	9,467,984	9,467,984	0
Prior Year Encumbrances Appropriated	179,413	179,413	0
Fund Balances at End of Year	\$ 14,361,599	\$ 14,815,221	\$ 453,622

The accompanying notes are an integral part of these financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 6,077,055	\$ 6,111,756	\$ 34,701
0	0	0	19,183,956	19,183,594	(362)
7,595	10,501	2,906	1,002,495	1,056,294	53,799
0	0	0	8,000	7	(7,993)
500	329	(171)	204,700	184,429	(20,271)
1,350	2,900	1,550	48,250	42,386	(5,864)
<u>9,445</u>	<u>13,730</u>	<u>4,285</u>	<u>26,524,456</u>	<u>26,578,466</u>	<u>54,010</u>
450	204	246	9,093,155	8,569,265	523,890
0	0	0	2,197,675	1,931,479	266,196
0	0	0	416,118	396,015	20,103
0	0	0	305,500	348,490	(42,990)
0	0	0	864,347	742,922	121,425
4,000	5,276	(1,276)	733,537	596,142	137,395
0	0	0	50,460	51,917	(1,457)
0	0	0	1,837,694	1,685,046	152,648
0	0	0	448,484	431,158	17,326
0	0	0	164,075	132,287	31,788
0	0	0	1,517,121	1,390,660	126,461
0	0	0	840,882	834,971	5,911
0	0	0	145,006	129,605	15,401
6,470	6,271	199	148,204	119,563	28,641
0	0	0	504,969	438,083	66,886
0	0	0	3,209,032	2,802,609	406,423
0	0	0	345,000	345,000	0
0	0	0	452,733	448,323	4,410
<u>10,920</u>	<u>11,751</u>	<u>(831)</u>	<u>23,273,992</u>	<u>21,393,535</u>	<u>1,880,457</u>
<u>(1,475)</u>	<u>1,979</u>	<u>3,454</u>	<u>3,250,464</u>	<u>5,184,931</u>	<u>1,934,467</u>
0	0	0	250	0	(250)
0	0	0	78,260	80,479	2,219
0	0	0	0	0	0
0	0	0	(41,494)	0	41,494
0	0	0	12,000	12,000	0
0	0	0	0	0	0
0	0	0	25,100	26,000	900
0	0	0	(20,535)	(26,535)	(6,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>53,581</u>	<u>91,944</u>	<u>38,363</u>
(1,475)	1,979	3,454	3,304,045	5,276,875	1,972,830
115,276	115,276	0	14,179,166	14,179,166	0
100	100	0	410,589	410,589	0
<u>\$ 113,901</u>	<u>\$ 117,355</u>	<u>\$ 3,454</u>	<u>\$ 17,893,800</u>	<u>\$ 19,866,630</u>	<u>\$ 1,972,830</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, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<u>Operating Revenues</u>				
Sales	\$ 387,441	\$ 0	\$ 0	\$ 387,441
Charges for Services	44,460	1,712,662	0	1,757,122
Investment Income	0	0	16,117	16,117
Other Operating Revenues	0	0	125,168	125,168
<i>Total Operating Revenues</i>	<u>431,901</u>	<u>1,712,662</u>	<u>141,285</u>	<u>2,285,848</u>
<u>Operating Expenses</u>				
Salaries	322,065	0	0	322,065
Fringe Benefits	168,796	0	0	168,796
Purchased Services	2,723	210,711	0	213,434
Materials and Supplies	425,052	0	213	425,265
Depreciation	14,181	0	0	14,181
Claims Expenses	0	1,723,392	0	1,723,392
Other Operating Expenses	0	0	12,460	12,460
<i>Total Operating Expenses</i>	<u>932,817</u>	<u>1,934,103</u>	<u>12,673</u>	<u>2,879,593</u>
Operating Income (Loss)	<u>(500,916)</u>	<u>(221,441)</u>	<u>128,612</u>	<u>(593,745)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Operating Grants	404,333	0	0	404,333
Donated Commodities	54,656	0	0	54,656
Investment Income	167	18,552	0	18,719
Other Non-Operating Expenses	0	0	0	0
<i>Total Non-Operating Revenues</i>	<u>459,156</u>	<u>18,552</u>	<u>0</u>	<u>477,708</u>
Net Income Before Operating Transfers	(41,760)	(202,889)	128,612	(116,037)
Operating Transfers In	<u>535</u>	<u>0</u>	<u>0</u>	<u>535</u>
Net Income (Loss)	(41,225)	(202,889)	128,612	(115,502)
Retained Earnings/Fund Balances at Beginning of Year	<u>(213,152)</u>	<u>152,973</u>	<u>219,506</u>	<u>159,327</u>
Retained Earnings/Fund Balances at End of Year	<u>\$ (254,377)</u>	<u>\$ (49,916)</u>	<u>\$ 348,118</u>	<u>\$ 43,825</u>

The accompanying notes are an integral part of these financial statements.

CAMBRIDGE CITY SCHOOL DISTRICT

Combined Statement of Cash Flows

All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 2001

	<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	\$ 431,901	\$ 1,712,662	\$ 0	\$ 2,144,563
Cash Received from Other Sources	164	0	141,285	141,449
Cash Paid for Goods and Services	(493,698)	(210,711)	(13,123)	(717,532)
Cash Paid to Employees	(333,848)	0	0	(333,848)
Cash Paid for Claims	0	(1,405,727)	0	(1,405,727)
Net Cash Provided by (Used For) Operating Activities	(395,481)	96,224	128,162	(171,095)
<u>Cash Flows From Non-Capital Financing Activities</u>				
Grants	459,062	0	0	459,062
Transfers In	535	0	0	535
Advances Out	(12,000)	0	0	(12,000)
Net Cash Provided by Non-Capital Financing Activities	447,597	0	0	447,597
<u>Cash Flows From Capital and Related Financing Activities</u>				
Acquisition of Equipment	(581)	0	0	(581)
Net Cash Used by Capital and Related Financing Activities	(581)	0	0	(581)
<u>Cash Flows From Investing Activities</u>				
Interest Income	167	18,552	0	18,719
Net Cash Provided by Investing Activities	167	18,552	0	18,719
Net Increase in Cash and Cash Equivalents	51,702	114,776	128,162	294,640
Cash and Cash Equivalents at Beginning of Year	22,329	364,973	219,956	607,258
Cash and Cash Equivalents at End of Year	\$ 74,031	\$ 479,749	\$ 348,118	\$ 901,898
<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided By (Used For) Operating Activities</u>				
Operating Income (Loss)	\$ (500,916)	\$ (221,441)	\$ 128,612	\$ (593,745)
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	54,656	0	0	54,656
Decrease in Inventory	22,911	0	0	22,911
Increase (Decrease) in Accounts Payable	279	0	(450)	(171)
Increase in Accrued Wages and Benefits	9,506	0	0	9,506
Increase in Compensated Absences Payable	17,029	0	0	17,029
(Decrease) in Intergovernmental Payable	(11,685)	0	0	(11,685)
(Decrease) in Deferred Revenue	(1,442)	0	0	(1,442)
Increase in Claims Payable	0	317,665	0	317,665
Total Adjustments	105,435	317,665	(450)	422,650
Net Cash Provided by (Used For) Operating Activities	\$ (395,481)	\$ 96,224	\$ 128,162	\$ (171,095)
<u>Reconciliation of Cash and Cash Equivalents</u> <u>to the Balance Sheet</u>				
Trust and Agency	\$ 518,935			
Less: Expendable Trust Funds	118,038			
Less: Agency Funds	52,779			
Nonexpendable Trust Fund	<u>\$ 348,118</u>			

The accompanying notes are an integral part of these financial statements.

This page intentionally left blank.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 129 non-certified employees and 235 certificated full-time teaching personnel who provide services to 2,829 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 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 17 and 18 to the general purpose financial statements.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001

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, 2001

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 7.) 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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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, 2001

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 2001.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 2001, investments were limited to STAROhio and common stock.

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

Interest revenue was credited during fiscal year 2001 to the following funds: general; outdoor education, public support, student activities, auxiliary services special revenue funds; permanent improvement and

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 \$12,444.

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 2001. 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 the investment could be sold for on June 30, 2001.

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 20 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, 2001

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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, 2001

Non-Reimbursable Grants

Special Revenue Funds

Dwight D. Eisenhower
Management Information System
Disadvantaged Pupil Impact Aid
Title I
Title VI
Summer Intervention
School Improvement Incentive Award
Title VI-B
Drug-Free Schools
Teacher Development
Data Communications
Auxiliary Services
Extended Learning Grant
Continuous Improvement Grant
School Net Professional Development
Ohio Reads
Safe School Helpline
Title IVR
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 72% of the School District's governmental fund revenue during the 2001 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.

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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001

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, 2001

Note 3 – Change in Accounting Principles

For fiscal year 2001, the District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Reporting for Certain Shared Nonexchange Revenues.” The statements established accounting and reporting guidelines for governments’ decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 and 36 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2000.

Note 4 - Accountability

At June 30, 2001, the following funds had a deficit retained earnings:

<i>Enterprise Fund:</i>	
Food service	\$ (278,109)
<i>Internal Service Fund:</i>	
Self-Insurance	\$ (49,916)

The Enterprise Fund and the Self-Insurance Fund retained earnings deficits resulted from the application of generally accepted 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 5 - 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types 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, 2001

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (200,565)	\$ 314,368	\$ 165,833	\$ 5,331,773	\$ 2,664
Revenue Accruals	(65,146)	(9,903)	(112,365)	(29,816)	0
GASB 31 Adjustment	(9,719)	0	0	0	0
Expenditure Accruals	17,342	74,363	0	51,288	0
Advances	12,000	0	0	0	0
Prepaid Items	6,321	0	0	0	0
Encumbrances	<u>(44,048)</u>	<u>(41,409)</u>	<u>0</u>	<u>(185,421)</u>	<u>(685)</u>
	<u>\$ (283,815)</u>	<u>\$ 337,419</u>	<u>\$ 53,468</u>	<u>\$ 5,167,824</u>	<u>\$ 1,979</u>

Note 6 – Equity in Pooled Cash, Cash Equivalents, and Investments

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

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

Inactive 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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Deposits: At year-end, the carrying amount of the School District's deposits was \$20,675,373 and the bank balance was \$20,931,212.

1. \$300,000 of the bank balance was covered by federal depository insurance; and
2. \$20,631,212 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	Category 3	Uncategorized	Reported Amount	Fair Value
Common stock	\$ 11,456	\$ 0	\$ 0	\$ 11,456	\$ 11,456
STAROhio	0	0	415,769	415,769	415,769
Total	\$ 11,456	\$ 0	\$ 415,769	\$ 427,225	\$ 427,225

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	\$ 17,941,142	\$ 3,161,456
Certificate of Deposit with maturity more than 90 days	3,150,000	(3,150,000)
Investments which are part of a cash management pool: STAROhio	(415,769)	415,769
GASB Statement No. 3	\$ 20,675,373	\$ 427,225

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 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 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 121,836,860	73.31%	\$ 138,506,870	74.88%
Public Utility	18,413,210	11.08%	18,880,200	10.21%
Tangible Personal Property	25,948,450	15.61%	27,592,110	14.91%
Total Assessed Value	\$ 166,198,520	100.00%	\$ 184,979,180	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 44.35		\$ 43.90	

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, 2001, are available to finance fiscal year 2001 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, 2001

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, 2001. 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, 2001 was \$2,206,913 and is recognized as revenue. \$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. At June 30, 2000, \$1,949,110 was available to the School District, \$1,625,489 was available to the General Fund, \$26,173 was available to the Special Revenue Fund, \$196,301 was available to the Debt Service Fund, and \$101,147 was available to the Capital Projects Fund.

Note 8 - Receivables

Receivables at June 30, 2001, 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	\$ 17,680
<u>Capital Project Fund</u>	
Ohio School Facilities Commission Grant	<u>34,958,201</u>
	<u>\$ 34,975,881</u>

Note 9 - Fixed Assets

A. General Fixed Asset Account Group

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 07/01/2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/2001</u>
Land and improvements	\$ 186,846	\$ 1,131,774	\$ 0	\$ 1,318,620
Buildings and improvements	13,236,108	114,253	0	13,350,361
Furniture and fixtures	1,394,371	21,992	0	1,416,363
Machinery and equipment	2,318,202	439,191	0	2,757,393
Vehicles	521,394	166,991	(51,865)	636,520
Construction in progress	<u>0</u>	<u>2,329,854</u>	<u>0</u>	<u>2,329,854</u>
Total General Fixed Assets	<u>\$ 17,656,921</u>	<u>\$ 4,204,055</u>	<u>\$ (51,865)</u>	<u>\$ 21,809,111</u>

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

B. Enterprise Fund

A summary of the Enterprise Fund fixed assets during fiscal year 2001 follows:

Furniture and equipment	\$ 387,586
Less: Accumulated depreciation	<u>303,076</u>
Net fixed assets	<u>\$ 84,510</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, 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 2001, the School District participated in Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 \$40.00 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, 2001

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 \$529,665 reported in the internal service fund at June 30, 2001, 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 2001 and 2000 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>
2000	\$ 242,000	\$ 1,144,344	\$ 1,174,344	\$ 212,000
2001	\$ 212,000	\$ 1,723,392	\$ 1,405,727	\$ 529,665

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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 year 2001, 4.2% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$136,789, \$101,734 and \$152,900, respectively; 50% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$68,906 representing the unpaid contribution for fiscal year 2001, 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
For the Fiscal Year Ended June 30, 2001

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, 2001, 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, 2001, 2000, and 1999 were \$549,571, \$533,853, and \$454,067, respectively; 82% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$96,813 represents the unpaid contribution for fiscal year 2001 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, 2001, one member of the Board of Education has selected Social Security. The Board's liability is 6.2% of wages paid.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (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, 2001, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$732,761 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001, employer contributions to fund health care benefits were 4.5% of covered payroll, a decrease of .05% for fiscal year 2001. 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 2001, 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 2001 fiscal year equaled \$251,649.

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, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, 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 230 days for certified employees and 240 days for classified employees.

Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 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 probably 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, 2001

Note 14 – Contractual Commitments

The School District has started the beginning phases of the Classroom Facilities Program and has the following outstanding commitments at June 30, 2001:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Classroom Facilities Program – Design Phase	\$2,075,357	\$837,314
Classroom Facilities Program – Site Work	\$254,497	\$2,979,158

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, 2001, the School District recognized contracts payable in the amount of \$316,329 regarding this project.

Note 15 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2001 were as follows:

	<u>Interest Rates</u>	<u>Balance at 06/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2001</u>
General Obligation Bonds					
1993 Energy Conservation	4.87%	\$ 520,000	\$ 0	\$ (165,000)	\$ 355,000
2000 School Facility	4.20-5.75%	<u>8,235,588</u>	<u>31,509</u>	<u>(180,000)</u>	<u>8,087,097</u>
Total Long Term Bonds		8,755,588	31,509	(345,000)	8,442,097
Other Long-Term Obligations					
Intergovernment Payable		122,215	149,474	(122,215)	149,474
Compensated Absences		<u>1,147,130</u>	<u>1,831</u>	<u>0</u>	<u>1,148,961</u>
Total General Long-Term Obligations		<u>\$ 10,024,933</u>	<u>\$ 182,814</u>	<u>\$ (467,215)</u>	<u>\$ 9,740,532</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, 2001

B. Classroom Facilities General Obligation Bonds

On April 18, 2000, the Cambridge City School District issued \$8,231,979 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The liability for the bonds is recorded in the 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, 2001 amounted to \$8,087,097. 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, 2001 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 2001 is \$31,509 and the total accretion amount is \$35,118.

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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:

	<u>Energy Conservation Bonds</u>			<u>School Facility Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 175,000	\$ 18,640	\$ 193,640	\$ 190,000	\$ 417,765	\$ 607,765
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
2007-2011				1,171,979	2,156,792	3,328,771
2012-2016				1,955,000	1,355,627	3,310,627
2017-2021				2,555,000	735,680	3,290,680
2022-2026				1,235,000	72,019	1,307,019
Total	<u>\$ 355,000</u>	<u>\$ 24,839</u>	<u>\$ 379,839</u>	<u>\$ 8,051,979</u>	<u>\$ 6,308,122</u>	<u>\$ 14,360,101</u>

The School District's overall legal debt margin was \$16,648,126 with an unvoted debt margin of \$8,206,029 at June 30, 2001.

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, 2001

Note 16 – 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, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 387,441	\$ 44,460	\$ 431,901
Operating Expense before Depreciation	876,503	42,133	918,636
Depreciation Expense	14,181	0	14,181
Operating Income (Loss)	(503,243)	2,327	(500,916)
Donated Commodities	54,656	0	54,656
Operating Grants	404,333	0	404,333
Interest	167	0	167
Transfer In	0	535	535
Net Income (Loss)	(44,087)	2,862	(41,225)
Fixed Asset Additions	581	0	581
Net Working Capital	(75,527)	23,732	(51,795)
Total Assets	142,528	23,858	166,386
Total Liabilities	133,545	126	133,671
Contributed Capital	287,092	0	287,092
Total Equity	8,983	23,732	32,715
Encumbrances at June 30, 2001	10,238	189	10,427

Note 17 – 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 2001 was \$80,929.

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, 2001

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 18 – 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 19 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that required modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 7, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for consideration. The Court may reexamine and redetermine any issue upon such reconsideration.

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

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 20 – Statutory Reserves

The School District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Reserve (formerly Budget Stabilization)</u>	<u>Totals</u>
Set aside cash balances as of June 30, 2000	\$ 0	\$ 0	\$ 199,082	\$ 199,082
Current year set-aside requirement	332,830	332,830	0	665,660
Current year offsets	(327,446)	0	0	(327,446)
Current year qualifying disbursements	(329,011)	(709,976)	0	(1,038,987)
Prior year excess qualifying disbursements	(92,330)	0	0	(92,330)
Amount not identified as BWC refund	<u>0</u>	<u>0</u>	<u>(107,565)</u>	<u>(107,565)</u>
Total	<u>\$ (415,957)</u>	<u>\$ (377,146)</u>	<u>\$ 91,517</u>	<u>\$ (701,586)</u>
Amount available for carry- forward to FY 2002	<u>\$ (415,957)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (415,957)</u>
Cash balance carried forward to FY 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,517</u>	

Cambridge City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories (1) Bureau of Workers' Compensation (BWC) refunds, and (2) the balance of the reserve which does not represent BWC refunds. The Statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, transferred to the Classroom Facilities Fund, or returned to the General Fund and used at the discretion of the district's Board of Education. The School District has elected to maintain the budget reserve until a future determination on the use of the funds can be made. The amount of the former budget stabilization reserve identified as Bureau of Workers' Compensation refunds is now classified as Reserve for BWC Refunds and the remaining balance has been classified as Fund Balance – Designated.

The School District had qualifying disbursements in the textbook set-aside and debt related offsets in the capital acquisition set-aside during the year that reduced the set-aside amounts below zero. The District has a \$8,231,979 balance in debt-related financing for capital outlay that may be used to reduce the set-aside requirements in future years.

Note 21 - 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, 2001.

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, 2001**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$0	\$53,487	\$0	\$54,656
School Breakfast Program	10.553	043695-05-PU-00-00/01	86,929		86,929	
National School Lunch Program	10.555	043695-03/04-PU-00-00/01	343,738		343,738	
Total United States Department of Agriculture - Nutrition Cluster			430,667	53,487	430,667	54,656
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	043695-C1-S1/SD-99/00/01	722,019		646,973	
Special Education Grants to States (IDEA Part B)	84.027	043695-6B-SF-00P/01P	235,983		250,763	
Drug Free Schools and Communities Act	84.186	043695-DR-S1-00/01	13,284		16,433	
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	043695-GS-S4-00/01	45,000		18,339	
Eisenhower Professional Development Grant	84.281	043695-MS-S1-00/01	16,129		5,749	
Innovative Education Program Strategies	84.298	043695-C2-S1-00/01	18,433		15,160	
Reading Excellence Tutorial Assistance	84.338	043695-CR-S1-00	175,004		66,804	
Title VI of ESEA - Class Size Reduction	84.340	043695-RN-S2-00/01	100,020		94,768	
Total United States Department of Education			1,325,872		1,114,989	
UNITED STATES DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed Through Ohio Department of Emergency Management</i>						
Public Assistance Grants	83.544		0		6,909	
Total United States Department of Federal Emergency Management Agency			0		6,909	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	N/A	33,287		33,287	
Total United States Department of Health and Human Services			33,287		33,287	
Total Federal Awards Receipts and Expenditures			\$1,789,826	\$53,487	\$1,585,852	\$54,656

The 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 THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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 United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Cambridge City School District
Guernsey County
6111 Fairdale Road
Cambridge OH 43725

To the Members of the Board of Education:

We have audited the general purpose financial statements of the Cambridge City School District, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 7, 2002. 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 general purpose 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 general purpose 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 general purpose 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 February 7, 2002.

This report is intended for the information and use of the audit committee, management, 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.

Jim Petro
Auditor of State

February 7, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110
www.auditor.state.oh.us

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

Cambridge City School District
Guernsey County
6111 Fairdale Road
Cambridge OH 43725

To the Members of the Board of Education:

Compliance

We have audited the compliance of the Cambridge City School District, 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 each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, 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.

Jim Petro
Auditor of State

February 7, 2002

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, Title I CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CAMBRIDGE CITY SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2002**