



**Auditor of State
Betty Montgomery**

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities ..	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	17
Statement of Net Assets – Proprietary Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund.....	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Fiduciary Net Assets – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .	22
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures	51
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and On Internal Control over Compliance in Accordance with OMB Circular A-133.....	55
Schedule of Findings - <i>OMB Circular A-133 Section .505</i>	57

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cambridge City School District, Guernsey County, Ohio, as of June 30, 2004, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Cambridge City School District
Guernsey County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

November 28, 2005

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Cambridge City School District financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- General Revenues accounted for \$18,568,661 in revenue or 78.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,219,088 or 21.9% of total revenues of \$23,787,749.
- Total program expenses were \$26,646,293.
- In total, net assets decreased by \$5,426,175, which represents a 10.7% decrease from 2003.
- Outstanding bonded debt decreased from \$7,656,979 to \$7,436,979 through the payment of bond principal.

Using this Annual Report

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

Reporting the School District as a Whole

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

A question typically asked about the School District's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

In the Statement of Net Assets and the Statement of Activities, the School District is reported as a governmental activity.

- Governmental Activities - The School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the project construction fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the project construction capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 15.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Fiduciary Funds – The School District’s fiduciary funds consist of Student Managed Activities and Private Purpose Trusts. The School District’s fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District’s other financial statements because the assets can’t be used by the School District to finance operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 14,327,207	\$ 22,892,637
Capital Assets	47,761,845	45,415,603
Total Assets	62,089,052	68,308,240
Liabilities		
Long-Term Liabilities	8,977,828	9,119,739
Other Liabilities	7,773,865	8,424,967
Total Liabilities	16,751,693	17,544,706
Net Assets		
Invested in Capital		
Assets Net of Debt	40,207,926	37,687,793
Restricted	3,180,452	10,753,233
Unrestricted (Deficit)	1,948,981	2,322,508
Total Net Assets	\$ 45,337,359	\$ 50,763,534

Total assets decreased by approximately \$6.2 million. A decrease of approximately \$8.6 million in current and other assets is largely due to a decrease in cash and investments of \$7 million and a decrease of \$2 million in intergovernmental receivable. Total liabilities decreased by approximately \$1 million. The majority of this decrease was the result of a decrease in contracts payable of approximately \$1.3 million.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for fiscal year 2004. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Governmental Activities

	2004	2003
Revenues:		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,296,829	\$ 711,558
Operating Grants	3,905,725	3,608,812
Capital Grants	16,534	0
<i>General Revenue:</i>		
Property Taxes	6,383,306	5,643,088
Grants and Entitlements	11,710,405	10,655,304
Other	474,950	1,047,951
<i>Total Revenues</i>	<u>23,787,749</u>	<u>21,666,713</u>
Program Expenses:		
<i>Instruction:</i>		
Regular	11,262,047	9,737,867
Special	2,987,108	2,299,444
Vocational	237,288	353,875
Other	1,393,344	544,864
<i>Support Services:</i>		
Pupils	1,053,003	965,650
Instructional Staff	1,051,999	915,123
Board of Education	61,653	44,239
Administration	2,018,129	2,107,507
Fiscal	515,387	513,516
Business	220,875	119,561
Operation and Maintenance of Plant	2,158,005	1,586,111
Pupil Transportation	1,015,844	918,391
Central	276,155	283,999
Operation of Non-Instructional Services	1,296,151	1,274,959
Extracurricular Activities	654,321	488,024
Interest and Fiscal Charges	444,984	458,986
<i>Total Program Expenses</i>	<u>26,646,293</u>	<u>22,612,116</u>
<i>Special Items - Loss on Disposal of Assets</i>	<u>(2,567,631)</u>	<u>0</u>
<i>Decrease in Net Assets</i>	<u>\$ (5,426,175)</u>	<u>\$ (945,403)</u>

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

(Table 3)
Governmental Activities

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction				
Regular	\$ 11,262,047	\$ 10,480,559	\$ 9,737,867	\$ 9,000,953
Special	2,987,108	977,418	2,299,444	779,226
Vocational	237,288	170,343	353,875	287,967
Other	1,393,344	1,393,344	544,864	544,864
Support Services:				
Pupils	1,053,003	818,534	965,650	776,215
Instructional Staff	1,051,999	632,533	915,123	452,320
Board of Education	61,653	61,653	44,239	44,239
Administration	2,018,129	1,822,700	2,107,507	1,945,401
Fiscal	515,387	512,551	513,516	511,457
Business	220,875	220,875	119,561	119,561
Operation and Maintenance of Plant	2,158,005	2,140,011	1,586,111	1,571,456
Pupil Transportation	1,015,844	971,122	918,391	914,694
Central	276,155	246,777	283,999	261,172
Operation of Non-Instructional	1,296,151	131,854	1,274,959	312,544
Extracurricular Activities	654,321	401,947	488,024	310,691
Interest and Fiscal Charges	444,984	444,984	458,986	458,986
Total Expenses	<u>\$ 26,646,293</u>	<u>\$ 21,427,205</u>	<u>\$ 22,612,116</u>	<u>\$ 18,291,746</u>

Instruction and student support services comprise 65% of governmental program expenses. Interest/fiscal charges were 1.7%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation, central and the operation/maintenance of facilities accounts for 13% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the School District modified its general fund budget several times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$18,168,046, over the original budget estimates of \$16,974,850. Of this \$1,193,196 increase, most was attributable to increased intergovernmental, tax revenue and tuition and fees.

Final appropriations of \$19,381,132, were \$1,261,699 more than the \$18,119,433 in the original budget. The majority of the increase in appropriations was due to an increase in instructional expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$47,761,845 invested in land, buildings, equipment, vehicles and construction in progress. Table 4 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities	
	2004	2003
Land	\$ 5,031,339	\$ 1,136,962
Construction in Progress	333,177	39,480,072
Land Improvements	87,572	93,222
Buildings and Improvements	40,683,499	3,083,103
Furniture and Fixtures	268,908	290,864
Machinery and Equipment	832,370	832,750
Vehicles	524,980	498,630
	\$ 47,761,845	\$ 45,415,603

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$364,126 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt

At June 30, 2004, the School District had \$7,594,499 in bonds outstanding with \$250,000 due within one year. During fiscal year 2004, \$220,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds:		
2000 School Facility	7,436,979	7,656,979
Totals	\$ 7,436,979	\$ 7,656,979

On April 18, 2001, the School District issued \$8,231,979 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with final maturity at December 1, 2022. The liability for the bonds is recorded in the Statement of Net Assets with annual principal and interest requirements retired from the debt service fund.

Current Issues

The Cambridge City School District continues to be supported by the residents of the School District based on passage of past tax levies. As the preceding information shows, the School District relies heavily on its local property taxpayers.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 27% of revenues for governmental activities for the Cambridge City School District in fiscal year 2004.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses due to the aforementioned uncertainties. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education

Cambridge City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District).

How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The five year budget for fiscal years 2005-2010 forecasts a deficit at the end of fiscal year 2006. The Board of Education approved approximately \$1,800,000 in expenditure reductions since fiscal year 2004. These reductions were achieved through attrition, non-renewals of supplemental contracts and changes in purchasing procedures. Additional cuts or an additional levy may also be necessary in the very near future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Treasurer of Cambridge City School District, 6111 Fairdale Road, Cambridge, Ohio 43725.

Cambridge City School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,284,531
Cash and Cash Equivalents In Segregated Accounts	1,890,926
Investments In Segregated Accounts	16,320
Receivables:	
Taxes	6,705,168
Intergovernmental	369,949
Prepaid Items	5,133
Inventory Held For Resale	13,557
Materials and Supplies Inventory	41,623
Nondepreciable Capital Assets	5,364,516
Depreciable Capital Assets (Net)	<u>42,397,329</u>
<i>Total Assets</i>	<u>62,089,052</u>
Liabilities	
Accounts Payable	452,499
Contracts Payable	187,222
Accrued Wages and Benefits	2,174,309
Intergovernmental Payable	521,134
Deferred Revenue	3,987,701
Claims Payable	451,000
Long Term Liabilities:	
Due Within One Year	429,031
Due Within More Than One Year	<u>8,548,797</u>
<i>Total Liabilities</i>	<u>16,751,693</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	40,207,926
Restricted for:	
Capital Projects	2,529,913
Debt Service	638,579
Other Purposes	11,960
Unrestricted	<u>1,948,981</u>
<i>Total Net Assets</i>	<u>\$ 45,337,359</u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 11,262,047	\$ 663,269	\$ 118,219	\$ 0	\$ (10,480,559)
Special	2,987,108	0	2,009,690	0	(977,418)
Vocational	237,288	0	66,945	0	(170,343)
Other	1,393,344	0	0	0	(1,393,344)
Support Services:					
Pupils	1,053,003	0	234,469	0	(818,534)
Instructional Staff	1,051,999	0	419,466	0	(632,533)
Board of Education	61,653	0	0	0	(61,653)
Administration	2,018,129	0	195,429	0	(1,822,700)
Fiscal	515,387	0	2,836	0	(512,551)
Business	220,875	0	0	0	(220,875)
Operation and Maintenance of Plant	2,158,005	0	17,994	0	(2,140,011)
Pupil Transportation	1,015,844	0	28,188	16,534	(971,122)
Central	276,155	0	29,378	0	(246,777)
Operation of Non-Instructional Services	1,296,151	461,756	702,541	0	(131,854)
Extracurricular Activities	654,321	171,804	80,570	0	(401,947)
Debt service:					
Interest and Fiscal Charges	444,984	0	0	0	(444,984)
<i>Total Governmental Activities</i>	<u>\$ 26,646,293</u>	<u>\$ 1,296,829</u>	<u>\$ 3,905,725</u>	<u>\$ 16,534</u>	<u>(21,427,205)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					5,607,489
Debt Service					689,477
Capital Outlay					86,340
Grants and Entitlements not Restricted to Specific Programs					11,710,405
Investment Earnings					225,251
Miscellaneous					216,745
Gifts and Donations not Restricted to Specific Programs					<u>32,954</u>
<i>Total General Revenues</i>					18,568,661
Special Item					
Loss on Disposal of Assets					<u>(2,567,631)</u>
<i>Total General Revenues and Special Item</i>					<u>16,001,030</u>
<i>Change in Net Assets</i>					(5,426,175)
<i>Net Assets Beginning of Year (Restated)</i>					<u>50,763,534</u>
<i>Net Assets End of Year</i>					<u>\$ 45,337,359</u>

See accompanying notes to the basic financial statements

Cambridge City School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,537,518	\$ 0	\$ 1,966,744	\$ 4,504,262
Cash and Cash Equivalents In Segregated Accounts	0	1,890,926	0	1,890,926
Investments In Segregated Accounts	16,320	0	0	16,320
Receivables:				
Taxes	5,879,841	0	825,327	6,705,168
Intergovernmental	0	0	369,949	369,949
Prepaid Items	5,133	0	0	5,133
Inventory Held For Resale	0	0	13,557	13,557
Materials and Supplies Inventory	40,233	0	1,390	41,623
<i>Total Assets</i>	<u>\$ 8,479,045</u>	<u>\$ 1,890,926</u>	<u>\$ 3,176,967</u>	<u>\$ 13,546,938</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 281,436	\$ 0	\$ 171,063	\$ 452,499
Contracts Payable	0	187,222	0	187,222
Accrued Wages and Benefits	1,850,302	0	324,007	2,174,309
Intergovernmental Payable	284,275	0	58,257	342,532
Deferred Revenue	4,109,204	0	576,790	4,685,994
<i>Total Liabilities</i>	<u>6,525,217</u>	<u>187,222</u>	<u>1,130,117</u>	<u>7,842,556</u>
Fund Balances				
Reserved for Encumbrances	28,791	748,711	383,215	1,160,717
Reserved for Inventory	40,233	0	14,947	55,180
Reserved for Tax Revenue Unavailable for Appropriation	1,770,637	0	248,537	2,019,174
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	114,167	0	0	114,167
Special Revenue Funds	0	0	511,481	511,481
Debt Service Fund	0	0	384,255	384,255
Capital Projects Funds	0	954,993	504,415	1,459,408
<i>Total Fund Balances</i>	<u>1,953,828</u>	<u>1,703,704</u>	<u>2,046,850</u>	<u>5,704,382</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,479,045</u>	<u>\$ 1,890,926</u>	<u>\$ 3,176,967</u>	<u>\$ 13,546,938</u>

See accompanying notes to the basic financial statements

Cambridge City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$	5,704,382
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			47,761,845
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.			698,293
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			329,269
Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.			(178,602)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:			
Classroom Facilities Bonds	(7,594,499)		
Compensated Absences	(1,383,329)		
			(8,977,828)
Net Assets of Governmental Activities		\$	45,337,359

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Project Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,499,721	\$ 0	\$ 764,249	\$ 6,263,970
Intergovernmental	12,052,597	1,090,870	3,497,997	16,641,464
Investment Income	117,431	91,867	15,953	225,251
Tuition and Fees	663,269	0	54,203	717,472
Extracurricular Activities	0	0	246,623	246,623
Rentals	0	0	50	50
Charges for Services	0	0	407,553	407,553
Contributions and Donations	5,300	0	34,855	40,155
Miscellaneous	27,893	174,112	14,740	216,745
<i>Total Revenues</i>	<u>18,366,211</u>	<u>1,356,849</u>	<u>5,036,223</u>	<u>24,759,283</u>
Expenditures				
Current:				
Instruction:				
Regular	9,044,342	0	740,728	9,785,070
Special	1,304,844	0	1,329,264	2,634,108
Vocational	214,470	0	0	214,470
Other	1,304,812	0	0	1,304,812
Support Services:				
Pupils	778,295	0	145,986	924,281
Instructional Staff	452,689	0	452,562	905,251
Board of Education	61,327	0	0	61,327
Administration	1,804,479	0	180,314	1,984,793
Fiscal	481,617	0	20,035	501,652
Business	217,677	0	0	217,677
Operation and Maintenance of Plant	2,141,030	0	39,381	2,180,411
Pupil Transportation	1,069,705	0	4,651	1,074,356
Central	196,792	0	78,197	274,989
Operation of Non-Instructional Services	5,866	0	1,068,473	1,074,339
Extracurricular Activities	295,029	0	291,161	586,190
Capital Outlay	3,857	7,935,551	489,984	8,429,392
Debt Service:				
Principal Retirement	0	0	220,000	220,000
Interest and Fiscal Charges	0	0	398,875	398,875
<i>Total Expenditures</i>	<u>19,376,831</u>	<u>7,935,551</u>	<u>5,459,611</u>	<u>32,771,993</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,010,620)</u>	<u>(6,578,702)</u>	<u>(423,388)</u>	<u>(8,012,710)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	450	0	762,816	763,266
Transfers In	0	0	59	59
Transfers Out	(59)	0	0	(59)
<i>Total Financing Sources (Uses)</i>	<u>391</u>	<u>0</u>	<u>762,875</u>	<u>763,266</u>
<i>Net Change in Fund Balance</i>	<u>(1,010,229)</u>	<u>(6,578,702)</u>	<u>339,487</u>	<u>(7,249,444)</u>
<i>Fund Balance Beginning of Year</i>	2,964,057	8,282,406	1,701,931	12,948,394
<i>Increase in Reserve for Inventory</i>	0	0	5,432	5,432
<i>Fund Balance End of Year</i>	<u>\$ 1,953,828</u>	<u>\$ 1,703,704</u>	<u>\$ 2,046,850</u>	<u>\$ 5,704,382</u>

See accompanying notes to the basic financial statements

Cambridge City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (7,249,444)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	5,144,535	
Current Year Depreciation	<u>(752,148)</u>	4,392,387

Net effect of transactions involving disposal of capital assets are not reflected in the funds (2,046,145)

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

Grants	(1,090,870)	
Delinquent Property Taxes	<u>119,336</u>	(971,534)

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

Classroom Facilities Bonds		220,000
----------------------------	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(31,980)	
Intergovernmental Payable	24,963	
Interest Expense for Accretion on Capital Appreciation Bonds	(46,109)	
Change in Inventory	<u>5,432</u>	(47,694)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

276,255

Change in Net Assets of Governmental Activities \$ (5,426,175)

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,950,000	\$ 5,300,000	\$ 5,295,115	\$ (4,885)
Intergovernmental	11,655,000	11,909,696	12,052,597	142,901
Investment Income	200,350	300,350	113,009	(187,341)
Tuition and Fees	117,500	627,500	663,269	35,769
Rentals	500	500	0	(500)
Contributions and Donations	1,500	5,000	5,300	300
Miscellaneous	50,000	25,000	23,341	(1,659)
<i>Total Revenues</i>	16,974,850	18,168,046	18,152,631	(15,415)
Expenditures				
Current:				
Instruction:				
Regular	8,548,718	9,155,818	9,021,325	134,493
Special	1,574,696	1,409,046	1,316,410	92,636
Vocational	371,496	296,496	231,822	64,674
Other	876,900	1,151,900	1,194,412	(42,512)
Support Services:				
Pupils	725,650	825,300	777,044	48,256
Instructional Staff	503,950	503,564	465,299	38,265
Board of Education	54,313	74,313	60,531	13,782
Administration	1,935,861	1,872,862	1,820,705	52,157
Fiscal	498,155	508,155	483,522	24,633
Business	118,900	198,900	218,455	(19,555)
Operation and Maintenance of Plant	1,534,327	1,994,327	2,170,477	(176,150)
Pupil Transportation	927,026	941,560	1,073,287	(131,727)
Central	78,091	128,091	131,941	(3,850)
Operation of Non-Instructional Services	8,750	8,750	6,024	2,726
Extracurricular Activities	311,100	311,100	308,816	2,284
Capital Outlay	51,500	950	3,857	(2,907)
<i>Total Expenditures</i>	18,119,433	19,381,132	19,283,927	97,205
<i>Excess of Revenues Under Expenditures</i>	(1,144,583)	(1,213,086)	(1,131,296)	81,790
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	40,000	1,000	450	(550)
Refund of Prior Year Expenditures	100,000	10,000	4,552	(5,448)
Other Financing Uses	(50,000)	0	0	0
Advances In	80,000	80,000	80,000	0
Transfers Out	0	(100)	(59)	41
<i>Total Other Financing Sources (Uses)</i>	170,000	90,900	84,943	(5,957)
<i>Net Change in Fund Balance</i>	(974,583)	(1,122,186)	(1,046,353)	75,833
<i>Fund Balance Beginning of Year</i>	3,354,504	3,354,504	3,354,504	0
Prior Year Encumbrances Appropriated	26,806	26,806	26,806	0
<i>Fund Balance End of Year</i>	\$ 2,406,727	\$ 2,259,124	\$ 2,334,957	\$ 75,833

See accompanying notes to the basic financial statements

Cambridge City School District

Statement of Net Assets

Proprietary Fund

June 30, 2004

	<u>Governmental Activities Internal Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 780,269</u>
<i>Total Assets</i>	<u>780,269</u>
Liabilities	
Claims Payable	<u>451,000</u>
<i>Total Liabilities</i>	<u>451,000</u>
Net Assets	
Unrestricted	<u><u>\$ 329,269</u></u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 2,960,271
Operating Expenses	
Purchased services	207,562
Claims	2,490,111
<i>Total Operating Expenses</i>	<u>2,697,673</u>
<i>Operating income</i>	<u>262,598</u>
Non-Operating Revenue	
Interest	<u>13,657</u>
<i>Change in Net Assets</i>	<u>276,255</u>
<i>Net Assets Beginning of Year</i>	<u>53,014</u>
<i>Net Assets End of Year</i>	<u>\$ 329,269</u>

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities:	
Cash Received from Interfund Transactions	\$ 2,960,271
Cash Paid for Goods and Services	(207,562)
Cash Paid for Claims	(2,429,111)
	323,598
<i>Net Cash Provided By Operating Activities</i>	
Cash Flows From Investing Activities:	
Interest on Investments	13,657
	337,255
<i>Net Increase in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents Beginning of Year</i>	443,014
<i>Cash and Cash Equivalents End of Year</i>	\$ 780,269
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 262,598
Adjustments:	
Claims Payable	61,000
	323,598
<i>Net Cash Provided By Operating Activities</i>	\$ 323,598

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 514,854	\$ 50,081
Liabilities		
Due to Students	0	\$ 50,081
Net Assets		
Held in Trust for Scholarships	\$ 514,854	
<i>Total Net Assets</i>	\$ 514,854	

See accompanying notes to the basic financial statements

Cambridge City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust
	Scholarship
Additions	
Contributions and Donations	\$ 4,435
Investment Earnings	1,224
Interest	11,399
<i>Total Additions</i>	17,058
Deductions	
Scholarships Awarded	16,427
<i>Change in Net Assets</i>	631
<i>Net Assets Beginning of Year</i>	514,223
<i>Net Assets End of Year</i>	\$ 514,854

See accompanying notes to the basic financial statements

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 five instructional facilities and two support facilities staffed by 126 non-certified employees and 213 certificated full-time teaching personnel who provide services to 2,741 students and other community members. The School District is located in Cambridge, Ohio. Cambridge City School District operated three 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 five jointly governed organizations, the Ohio Mid-Eastern Regional Educational Service Agency, the Mid-East Ohio Joint Vocational School District, the Coalition of Rural and Appalachian Schools (CORAS), Metropolitan Educational Council (MEC), and the East Central Ohio Special Education Regional Resource Center (ECO SERRC), which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as a group insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

General Fund The general fund accounts 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.

Project Construction Fund The project construction capital projects fund accounts for financial resources provided by Ohio school facilities commission grants to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund:

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School 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 the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, 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 2004, investments were limited to STAROhio, (the State Treasurer's Investment Pool), common stock and certificates of deposit invested from the general fund.

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

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, 2004.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$117,431, which includes \$92,631 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

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

All capital 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 \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	20 - 50 Years
Improvements Other Than Buildings	20 Years
Furniture and Fixtures	5 - 20 Years
Machinery and Equipment	5 - 20 Years
Vehicles	10 Years

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's amount of accumulated sick leave that will be paid as a termination benefit.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources to be used for the school district's classroom facilities project and state and federal grants restricted to expenditures for specified purposes.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies and property taxes.

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary items which occurred during fiscal 2004.

P. Estimates

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

Q. Budgetary Data

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

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

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

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

Note 3 – Changes in Accounting Principles and Restatement of Net Assets

Changes in Accounting Principles For the fiscal year ended June 30, 2004, the School District has implemented GASB Statement GASB No. 41, "Budgetary Comparison Schedules – Perspective Differences."

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the budgetary statements of the School District for fiscal year 2004.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 3 – Changes in Accounting Principles and Restatement of Net Assets (Continued)

Restatement of Net Assets The previously reported estimate of intergovernmental receivable for the school facilities Project Construction Fund was overstated by \$2,545,699. Previously reported Governmental Activities net assets at June 30, 2003 of \$53,309,233 were restated to reflect this change which resulted in restated net assets of \$50,763,534.

Note 4 - Accountability

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds:	
Entry Year Teacher Subsidy	\$ (11)
DPIA	(76,698)
Title IV-A	(2,470)
Title II-A	(36,196)

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Budgetary Basis of Accounting (Continued)

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

	<u>General</u>
GAAP Basis	\$ (1,010,229)
Net Adjustment for Revenue Accruals	(129,028)
Net Adjustment for Expenditure Accruals	292,551
Adjustment for Encumbrances	(199,647)
Budget Basis	\$ (1,046,353)

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

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

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

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

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 – Equity in Pooled Cash, Cash Equivalents, and Investments (Continued)

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 – Equity in Pooled Cash, Cash Equivalents, and Investments (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was \$7,724,621 and the bank balance was \$7,981,119.

1. \$100,000 of the bank balance was covered by federal depository insurance; and
2. \$7,881,119 was uninsured and uncollateralized. Although the State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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

	Category 2	Uncategorized	Reported Amount	Fair Value
Common stock	\$ 16,320	\$ 0	\$ 16,320	\$ 16,320
STAROhio	0	15,771	15,771	15,771
Total	\$ 16,320	\$ 15,771	\$ 32,091	\$ 32,091

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	\$ 7,740,392	\$ 16,320
Investments which are part of a cash management pool: STAROhio	(15,771)	15,771
GASB Statement No. 3	\$ 7,724,621	\$ 32,091

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, 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. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. 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 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 140,965,940	77.71%	\$ 168,839,370	81.33%
Public Utility	14,338,910	7.90%	14,584,810	7.03%
Tangible Personal Property	<u>26,093,300</u>	<u>14.39%</u>	<u>24,172,760</u>	<u>11.64%</u>
Total Assessed Value	<u>\$ 181,398,150</u>	<u>100.00%</u>	<u>\$ 207,596,940</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed Valuation		<u>\$ 41.14</u>		<u>\$ 40.30</u>

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 7 - Property Taxes (Continued)

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2004. 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, 2004 was \$2,019,174 and is recognized as revenue. \$1,770,637 was available to the General Fund, \$29,413 was available to the Maintenance Special Revenue Fund, \$219,124 was available to the Debt Service Fund. At June 30, 2003, \$1,796,898 was available to the School District, \$1,566,031 was available to the General Fund, \$26,785 was available to the Special Revenue Fund, and \$204,080 was available to the Debt Service Fund.

Note 8 - Receivables

Receivables at June 30, 2004, 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 the principal items of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amounts</u>
<u>Non Major Funds</u>	
Food Service Fund - Lunch and breakfast subsidy	\$ 69,322
Title I Fund – Program revenues	154,115
Reading First Grant Fund – Program Revenues	<u>146,512</u>
Total	<u>\$ 369,949</u>

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2004 was as follows:

Governmental Activities:	Balance at 6/30/2003	Additions	Deletions	Balance at 6/30/2004
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,136,962	\$ 3,894,377		\$ 5,031,339
Construction in progress	39,480,072	333,177	(39,480,072)	333,177
<i>Total capital assets, not being depreciated</i>	<u>40,617,034</u>	<u>4,227,554</u>	<u>(39,480,072)</u>	<u>5,364,516</u>
<i>Capital Assets, being depreciated:</i>				
Land improvements	112,997	0	0	112,997
Building and improvements	13,065,498	40,136,228	(9,576,556)	43,625,170
Furniture and fixtures	416,958	83,894	(183,942)	316,910
Machinery and equipment	1,305,226	60,391	(237,746)	1,127,871
Vehicles	1,272,194	116,540	0	1,388,734
<i>Total capital assets, being depreciated</i>	<u>16,172,873</u>	<u>40,397,053</u>	<u>(9,998,244)</u>	<u>46,571,682</u>
Less accumulated depreciation:				
Land improvements	(19,775)	(5,650)	0	(25,425)
Building and improvements	(9,982,395)	(600,383)	7,641,107	(2,941,671)
Furniture and fixtures	(126,094)	(48,002)	126,094	(48,002)
Machinery and equipment	(472,476)	(7,923)	184,898	(295,501)
Vehicles	(773,564)	(90,190)	0	(863,754)
<i>Total accumulated depreciation</i>	<u>(11,374,304)</u>	<u>(752,148)</u>	<u>7,952,099</u>	<u>(4,174,353)</u>
<i>Total capital assets being depreciated, net</i>	<u>4,798,569</u>	<u>39,644,905</u>	<u>(2,046,145)</u>	<u>42,397,329</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 45,415,603</u>	<u>\$ 43,872,459</u>	<u>\$ (41,526,217)</u>	<u>\$ 47,761,845</u>

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 274,419
Special	67,297
Vocational	10,624
Other	15,078
Support Services:	
Pupils	26,725
Instructional Staff	25,314
Board of Education	1,217
Administration	62,212
Fiscal	14,275
Business	3,320
Operation and Maintenance of Plant	49,248
Pupil Transportation	88,787
Central	23,492
Operation of Non-Instructional Services	62,777
Extracurricular Activities	<u>27,363</u>
 Total depreciation expense	 <u><u>\$ 752,148</u></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 2004, the School District contracted with Selective Insurance Company through Marsh USA Inc. 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 Marsh USA Insurance Company and hold a \$500 deductible for comprehensive and \$500 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 2004, the School District participated in Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 10 - Risk Management (Continued)

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 Sheakley Uniservice, Inc. 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 \$60.00 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 only responsible for claim amounts up to \$2,000,000 district wide.

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 \$451,000 reported in the internal service fund at June 30, 2004, 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 2004 and 2003 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>
2003	\$ 425,000	\$ 2,231,666	\$ 2,266,666	\$ 390,000
2004	\$ 390,000	\$ 2,490,111	\$ 2,429,111	\$ 451,000

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, 300 E. Broad Street, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 10% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$256,278, \$153,322 and \$140,690, respectively; 73.4% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$68,196 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

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, administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. 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.

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

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,281,265, \$966,940 and \$930,256, respectively; 81.6% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$235,664 represents the unpaid contribution for fiscal year 2004 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, 2004, 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, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$98,559 for fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of the health care premium.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Postemployment Benefits (Continued)

The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent of those who apply.

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, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$182,639.

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, before premium deduction. Gross expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants 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 260 days for certified employees and 230 days for classified employees.

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

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

B. Life Insurance

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 14 – Contractual Commitments

The School District is continuing the Classroom Facilities Program and has the following outstanding commitments at June 30, 2004:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Classroom Facilities Program – Site/Construction Work	\$ 44,625,283	\$ 288,576

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, 2004, the School District recognized contracts payable in the amount of \$187,222 regarding this project.

Note 15 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2004 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2004</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds</u>						
2000 School Facility Bonds	4.20-5.75%	\$ 7,656,979	\$ 0	\$ (220,000)	\$ 7,436,979	\$ 250,000
Accreted Interest on 2000 School Facility Bonds		111,411	46,109	0	157,520	0
Compensated Absences		<u>1,351,349</u>	<u>31,980</u>	<u>0</u>	<u>1,383,329</u>	<u>179,031</u>
Total General Long-Term Obligations		<u>\$ 9,119,739</u>	<u>\$ 78,089</u>	<u>\$ (220,000)</u>	<u>\$ 8,977,828</u>	<u>\$ 429,031</u>

A. 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 Statement of Net Assets with annual principal and interest requirements retired from the debt service fund. Principal outstanding including the accretion at June 30, 2004 amounted to \$7,594,499. 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 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Long-Term Obligations (Continued)

<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, 2004 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 2004 is \$46,109 and the total accretion amount is \$157,520.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Long-Term Obligations (Continued)

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:

		School Facility Bonds		
		Principal	Interest	Total
Year ending June 30,	2005	\$ 250,000	\$ 387,588	\$ 637,588
	2006	270,000	374,910	644,910
	2007	290,000	361,117	651,117
	2008	120,739	553,201	673,940
	2009	106,240	567,700	673,940
	2010-2014	1,765,000	1,550,904	3,315,904
	2015-2019	2,290,000	1,009,027	3,299,027
	2020-2024	2,345,000	435,689	2,780,689
	Total	<u>\$ 7,436,979</u>	<u>\$ 5,240,136</u>	<u>\$ 12,677,115</u>

The School District's overall legal debt margin was \$21,797,679 with an unvoted debt margin of \$11,417,832 at June 30, 2004.

B. Other Long-Term Obligations

Compensated absences and the pension obligations which represent contractually required pension contributions will be paid from the funds which the employees' salaries are paid.

Note 16 – Jointly Governed Organizations

A. Ohio Mid-Eastern Regional Education Service Agency

The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The total amount paid to the Ohio Mid-Eastern Regional Education Service Agency from the School District for fiscal year 2004 was \$73,297.

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 16 – Jointly Governed Organizations (Continued)

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.

C. East Central Ohio Special Education Regional Resource Center (ECO SERRC)

The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education regional resource center which selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2004, the School District paid \$7,359 to ECO SERRC. Financial information can be obtained by contacting Julie A Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

D. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2004.

E. Metropolitan Educational Council (MEC)

The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in Ohio. The organization is composed of over 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway BLVD. Suite 604, Columbus, Ohio 43232.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 – Insurance Purchasing Pool

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

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

Note 18 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 19 – Statutory Reserves

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

In previous fiscal years, the School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2002, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker’s compensation refunds.

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

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 19 – Statutory Reserves (Continued)

	Capital Improvements Reserve	Instructional Materials Reserve
Set aside cash balances as of June 30, 2003	\$ 0	\$ 0
Current year set-aside requirement	364,126	364,126
Qualifying Disbursements	706,751	420,057
Current year Requirement less Qualifying Disbursements	(342,625)	(55,931)
Beginning Carryover Offsets/Excess Disbursements	3,222,365	126,110
Current Year Offsets/Excess Disbursements	842,668	0
Total Available as Offsets/Excess Disbursements	4,065,033	126,110
Current Year Application of Offsets/Excess Disbursements	342,625	55,931
Offsets/Excess Disbursements to be Carried Forward to Future Years	4,407,658	182,041
Set-aside Reserve Balance as of June 30, 2004	\$ 0	\$ 0

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

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Cambridge City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 20 – Contingencies (Continued)

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.

Note 21 – Special Items

Upon completing construction of new school facilities, the School District sold some of the old buildings. In addition, it incurred expenses for the demolition of some of the old school buildings. This resulted in a loss on disposal of assets reflected as a special item on the Statement of Activities.

Note 22 - Significant Subsequent Events

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

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$243,528	\$0	\$243,528
School Breakfast Program	043695-05PU-2004	10.553	133,820		133,820	
National School Lunch Program	043695-LLP4-2004	10.555	433,700		433,700	
Summer Food Service Program for Children	043695-23PU-2003	10.559	2,253		2,253	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>569,773</u>	<u>243,528</u>	<u>569,773</u>	<u>243,528</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	043695-C1S1-2004	84.010	818,254		914,672	
Special Education Grants to States	043695-6BSF-2004	84.027	407,040		373,649	
Safe and Drug-Free Schools and Communities - State Grants	043695-DRS1-2004	84.186	21,619		32,707	
Innovative Education Program Strategies	043695-C2S1-03/04	84.298	16,247		24,102	
Education Technology State Grants	043695-TJS1-2004	84.318	25,835		26,126	
School Renovation Grants	043695-ATS3-2002	84.352			74	
Reading First State Grants	043695-RSS1-2004	84.357	176,018		161,134	
Rural Education	043695-RUS1-2004	84.358	69,308		68,354	
Improving Teacher Quality State Grants	043695-TRS1-2004	84.367	213,001		268,494	
Total U.S. Department of Education			<u>1,747,322</u>	<u>0</u>	<u>1,869,312</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	6,446		6,446	
Medical Assistance Program	N/A	93.778	50,416		50,416	
Total U.S. Department of Health and Human Services			<u>56,862</u>	<u>0</u>	<u>56,862</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,373,957</u>	<u>\$243,528</u>	<u>\$2,495,947</u>	<u>\$243,528</u>

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

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cambridge City School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated November 28, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the School District's management dated November 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

November 28, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Cambridge City School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated November 28, 2005.

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



Betty Montgomery
Auditor of State

November 28, 2005

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, C.F.D.A. #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
JUNE 30, 2004
(Continued)**

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

FINDING NUMBER 2004-001

Finding For Recovery

The Treasurer's Office maintained a \$100 petty cash fund. During the period June 1, 2002 through August 31, 2004, the School District replenished the fund four times for \$290. Of the \$290 replenishment, only \$179 was supported by receipts detailing how the petty cash fund monies were expended. No receipts were provided supporting how the remaining \$111 was expended.

On October 7, 2004, the Auditor of State performed a reconciliation of the \$100 petty cash fund. We identified there were no receipts maintained and only \$24 remained of the \$100 petty cash fund. Based on the review of the four replenishments and the balance of the petty cash fund as of October 7, 2004, we identified \$187 of petty cash monies collected by the Treasurer but unaccounted for by receipts.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Bill Wilkinson, Treasurer and his bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of \$187 in favor of the Cambridge City School District's General Fund.

FINDING NUMBER 2004-002

Finding for Recovery Repaid Under Audit

In 2003, the School District purchased new cell phones which were eligible for a rebate. During June through September 2003, Bill Wilkinson, Treasurer, completed the four forms requesting total rebates of \$350. Upon inquiry with Pam Hall, Fiscal Assistant, the four rebate checks were not received by the School District nor were the rebates deposited into the School District's bank account. Instead, the four rebates totaling \$350 were issued to Bill Wilkinson and were deposited into the bank account maintained by the Cambridge Adult Softball Association, a not for profit, on August 13, 2003 and November 3, 2003. During this time period, Mr. Wilkinson served as the Softball Association's treasurer. In addition, Mr. Wilkinson, as the Association's treasurer, was the only individual authorized to issue checks from the Association's bank account.

Additionally, we identified 24 checks issued to or endorsed by a vendor to Cambridge City Schools totaling \$19,581 which were deposited into the Softball Association's account instead of the School District's bank account.

On February 17, 2005, Lewis Tingle, Attorney at Law, issued a check to the Cambridge City School District for \$19,931 as repayment by his client, Bill Wilkinson. We will consider this a finding for recovery repaid under audit.

**CAMBRIDGE CITY SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 102.03 (E) states, no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Cambridge City School District entered into a contract with Coca-Cola Enterprises (CCE) to be the exclusive soda vendor for the School District. In a December 1, 2004 letter, CCE's attorney indicated that CCE provided Treasurer Bill Wilkinson four tickets to the March 21, 2003 Cleveland Cavaliers game. CCE was unable to confirm whether or not Mr. Wilkinson used these tickets.

We recommend the School District, with the help of its legal counsel, implement a policy prohibiting the acceptance of gifts from vendors in accordance with Ohio Rev. Code Section 102.03 and notify all personnel regarding the revised policy.

In addition, this matter will be referred to the Ohio Ethics Commission for further review.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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
MAY 9, 2006**