



**Auditor of State
Betty Montgomery**

CITY OF CAMBRIDGE
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cambridge, Guernsey County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

September 30, 2003

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CITY OF CAMBRIDGE

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>ASSETS AND OTHER DEBITS</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 241,970	\$ 2,081,844	\$ 304,097	\$ 415,047
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	907,152	1,257,416	125,520	0
Accounts	73,244	19,195	0	20,475
Revolving Loans	0	15,202	0	0
Intergovernmental	528,604	1,212,738	6,438	660,108
Accrued Interest	1,908	0	0	0
Prepaid Items	3,756	3,332	0	0
Materials and Supply Inventories	0	27,985	0	0
Deferred Charge	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (net of accumulated depreciation, where applicable)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Amount Available in Debt Service Fund	0	0	0	0
Total Assets and Other Debits	\$ 1,756,634	\$ 4,617,712	\$ 436,055	\$ 1,095,630

See accompanying notes to the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$ 4,378,343	\$ 13,234	\$ 902,118	\$ 0	\$ 0	\$ 8,336,653
0	0	218,949	0	0	218,949
0	0	0	0	0	2,290,088
651,275	966	6,826	0	0	771,981
0	0	0	0	0	15,202
0	0	0	0	0	2,407,888
0	0	0	0	0	1,908
17,709	0	0	0	0	24,797
7,908	0	0	0	0	35,893
70,412	0	0	0	0	70,412
519,826	0	0	0	0	519,826
16,527,146	0	0	9,225,765	0	25,752,911
0	0	0	0	1,654,662	1,654,662
0	0	0	0	291,300	291,300
<u>\$ 22,172,619</u>	<u>\$ 14,200</u>	<u>\$ 1,127,893</u>	<u>\$ 9,225,765</u>	<u>\$ 1,945,962</u>	<u>\$ 42,392,470</u>

(Continued)

CITY OF CAMBRIDGE

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES, EQUITY, AND OTHER CREDITS</u>				
<i>Liabilities:</i>				
Accounts Payable	\$ 39,962	\$ 76,270	\$ 0	\$ 0
Accrued Wages and Benefits	135,810	83,877	0	961
Compensated Absences Payable	2,960	7,232	0	0
Intergovernmental Payables	76,788	46,719	0	809
Accrued Pension Liability	0	0	0	0
Deferred Revenue	537,787	2,344,252	131,958	660,108
Accrued Interest Payable	0	3,380	12,797	0
Due to Others	0	0	0	0
Claims Payable	0	0	0	0
Notes Payable	0	300,000	0	0
OWDA Loan Payable	0	0	0	0
OPWC Loan Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Liability	0	0	0	0
Special Assessment Bond Payable	0	0	0	0
<i>Total Liabilities</i>	793,307	2,861,730	144,755	661,878
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved:				
Restricted Assets	0	0	0	0
Unreserved	0	0	0	0
Fund Balances (Deficits):				
Reserved for Encumbrances	39,570	79,447	0	399,568
Reserved for Supplies Inventory	0	27,985	0	0
Reserved for Debt Service	0	0	291,300	0
Reserved for Revolving Loan	0	15,202	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	923,757	1,633,348	0	34,184
<i>Total Equity and Other Credits</i>	963,327	1,755,982	291,300	433,752
Total Liabilities, Equity, and Other Credits	\$ 1,756,634	\$ 4,617,712	\$ 436,055	\$ 1,095,630

See accompanying notes to the financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$ 135,548	\$ 0	\$ 39	\$ 0	\$ 0	\$ 251,819
53,860	0	0	0	0	274,508
186,893	0	0	0	691,063	888,148
69,575	0	0	0	119,698	313,589
0	0	0	0	556,295	556,295
0	0	0	0	0	3,674,105
11,905	0	0	0	0	28,082
114,473	0	245,229	0	0	359,702
0	130,000	0	0	0	130,000
0	0	0	0	0	300,000
5,872,623	0	0	0	0	5,872,623
175,234	0	0	0	35,535	210,769
2,642,828	0	0	0	0	2,642,828
0	0	0	0	350,000	350,000
0	0	0	0	193,371	193,371
173,636	0	0	0	0	173,636
9,436,575	130,000	245,268	0	1,945,962	16,219,475
0	0	0	9,225,765	0	9,225,765
5,129,168	0	0	0	0	5,129,168
519,826	0	0	0	0	519,826
7,087,050	(115,800)	0	0	0	6,971,250
0	0	0	0	0	518,585
0	0	0	0	0	27,985
0	0	0	0	0	291,300
0	0	0	0	0	15,202
0	0	45,625	0	0	45,625
0	0	837,000	0	0	3,428,289
12,736,044	(115,800)	882,625	9,225,765	0	26,172,995
<u>\$ 22,172,619</u>	<u>\$ 14,200</u>	<u>\$ 1,127,893</u>	<u>\$ 9,225,765</u>	<u>\$ 1,945,962</u>	<u>\$ 42,392,470</u>

CITY OF CAMBRIDGE

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$ 3,139,804	\$ 1,561,451	\$ 0
Intergovernmental Revenue	832,161	1,275,346	17,228
Special Assessments	0	0	179,068
Charges for Services	41	420,216	0
License and Permits	130,549	7,266	0
Investment Earnings	189,490	14,696	0
Fines and Forfeitures	624,807	283,833	0
Rentals	10,612	0	0
Other Revenue	410,021	88,713	0
Total Revenues	5,337,485	3,651,521	196,296
Expenditures:			
Current:			
General Government	2,940,427	80,274	0
Security of Persons and Property	1,649,725	1,754,649	0
Public Health and Welfare Services	0	243,511	0
Leisure Time Activities	454,173	217,397	0
Community Environment	154,627	708,640	0
Transportation	0	1,228,705	0
Capital Outlay	0	72,610	0
Debt Service:			
Principal Retirements	0	100,232	165,000
Interest and Fiscal Charges	0	39,157	41,137
Total Expenditures	5,198,952	4,445,175	206,137
Excess of Revenues Over (Under) Expenditures	138,533	(793,654)	(9,841)
Other Financing Sources (Uses):			
Proceeds from Capital Lease	0	75,306	0
Other Financing Uses	0	0	0
Transfers In	102,700	613,462	0
Transfers Out	(404,269)	(192,393)	(15,065)
Total Other Financing Sources (Uses)	(301,569)	496,375	(15,065)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(163,036)	(297,279)	(24,906)
Fund Balance(Deficit) at Beginning of Year	1,126,363	2,042,901	316,206
Increase in Reserve for Inventory	0	10,360	0
Fund Balance (Deficit) at End of Year	\$ 963,327	\$ 1,755,982	\$ 291,300

See accompanying notes to the financial statements.

<u>Capital Projects</u>	<u>Fiduciary Fund Type</u> <u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 0	\$ 0	\$ 4,701,255
144,814	0	2,269,549
0	0	179,068
0	0	420,257
0	0	137,815
0	14,336	218,522
286,385	96,181	1,291,206
0	0	10,612
0	7,500	506,234
<hr/> 431,199	<hr/> 118,017	<hr/> 9,734,518
67,771	39	3,088,511
0	0	3,404,374
0	1,250	244,761
0	0	671,570
0	0	863,267
0	0	1,228,705
291,317	0	363,927
0	0	265,232
0	0	80,294
<hr/> 359,088	<hr/> 1,289	<hr/> 10,210,641
72,111	116,728	(476,123)
0	0	75,306
0	(93,683)	(93,683)
0	0	716,162
0	(18,300)	(630,027)
<hr/> 0	<hr/> (111,983)	<hr/> 67,758
72,111	4,745	(408,365)
361,641	832,255	4,679,366
0	0	10,360
<hr/> <u>\$ 433,752</u>	<hr/> <u>\$ 837,000</u>	<hr/> <u>\$ 4,281,361</u>

CITY OF CAMBRIDGE

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 3,066,830	\$ 3,101,018	\$ 34,188
Intergovernmental Revenue	739,042	708,012	(31,030)
Special Assessments	0	0	0
Charges for Services	620	620	0
Licenses and Permits	126,500	130,604	4,104
Investment Earnings	240,000	190,679	(49,321)
Fines and Forfeitures	635,500	623,978	(11,522)
Rentals	14,000	10,612	(3,388)
Other	345,340	412,546	67,206
Total Revenues	5,167,832	5,178,069	10,237
Expenditures:			
Current:			
General Government	3,147,557	2,976,327	171,230
Security of Persons and Property	1,725,641	1,676,508	49,133
Public Health and Welfare Services	0	0	0
Leisure Time Activities	480,112	451,497	28,615
Community Environment	162,451	152,623	9,828
Transportation	10,063	10,063	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	5,525,824	5,267,018	258,806
Excess of Revenue Over (Under) Expenditures	(357,992)	(88,949)	269,043
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Other Financing Uses	0	0	0
Operating Transfer In	205,000	102,700	(102,300)
Operating Transfer Out	(401,339)	(404,269)	(2,930)
Other Financing Sources (Uses)	(196,339)	(301,569)	(105,230)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(554,331)	(390,518)	163,813
Fund Balance at Beginning of Year	617,698	617,698	0
Fund Balance at End of Year	\$ 63,367	\$ 227,180	\$ 163,813

See accompanying notes to the financial statements.

Special Revenue Funds

Debt Service Fund

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,541,856	\$ 1,557,584	\$ 15,728	\$ 0	\$ 0	\$ 0
2,394,578	1,549,313	(845,265)	26,250	17,228	(9,022)
0	0	0	161,101	179,068	17,967
426,270	420,216	(6,054)	0	0	0
7,000	7,266	266	0	0	0
11,352	14,493	3,141	0	0	0
419,300	280,662	(138,638)	0	0	0
0	0	0	0	0	0
86,316	88,625	2,309	0	0	0
<u>4,886,672</u>	<u>3,918,159</u>	<u>(968,513)</u>	<u>187,351</u>	<u>196,296</u>	<u>8,945</u>
455,391	84,196	371,195	0	0	0
1,953,165	1,851,188	101,977	0	0	0
236,056	232,325	3,731	0	0	0
190,199	251,059	(60,860)	0	0	0
1,883,502	693,997	1,189,505	0	0	0
1,374,219	1,190,347	183,872	0	0	0
73,110	72,610	500	0	0	0
131,458	100,232	31,226	276,647	165,000	111,647
35,777	35,777	0	28,340	28,340	0
<u>6,332,877</u>	<u>4,511,731</u>	<u>1,821,146</u>	<u>304,987</u>	<u>193,340</u>	<u>111,647</u>
(1,446,205)	(593,572)	852,633	(117,636)	2,956	120,592
300,000	300,000	0	0	0	0
0	0	0	0	0	0
722,745	613,462	(109,283)	0	0	0
(214,211)	(192,393)	21,818	0	(15,065)	(15,065)
<u>808,534</u>	<u>721,069</u>	<u>(87,465)</u>	<u>0</u>	<u>(15,065)</u>	<u>(15,065)</u>
(637,671)	127,497	765,168	(117,636)	(12,109)	105,527
<u>1,823,753</u>	<u>1,823,753</u>	<u>0</u>	<u>276,089</u>	<u>276,089</u>	<u>0</u>
<u>\$ 1,186,082</u>	<u>\$ 1,951,250</u>	<u>\$ 765,168</u>	<u>\$ 158,453</u>	<u>\$ 263,980</u>	<u>\$ 105,527</u>

(Continued)

CITY OF CAMBRIDGE

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental Revenue	2,016,371	624,842	(1,391,529)
Special Assessments	0	0	0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Investment Earnings	0	0	0
Fines and Forfeitures	260,000	273,562	13,562
Rentals	0	0	0
Other	0	0	0
Total Revenues	2,276,371	898,404	(1,377,967)
Expenditures:			
Current:			
General Government	136,429	81,402	55,027
Security of Persons and Property	0	0	0
Public Health and Welfare Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
Capital Outlay	2,220,715	1,049,496	1,171,219
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,357,144	1,130,898	1,226,246
Excess of Revenue Over (Under) Expenditures	(80,773)	(232,494)	(151,721)
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Other Financing Uses	0	0	0
Operating Transfer In	0	0	0
Operating Transfer Out	0	0	0
Other Financing Sources (Uses)	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80,773)	(232,494)	(151,721)
Fund Balance at Beginning of Year	247,973	247,973	0
Fund Balance at End of Year	\$ 167,200	\$ 15,479	\$ (151,721)

See accompanying notes to the financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 4,608,686	\$ 4,658,602	\$ 49,916
0	0	0	5,176,241	2,899,395	(2,276,846)
0	0	0	161,101	179,068	17,967
0	0	0	426,890	420,836	(6,054)
0	0	0	133,500	137,870	4,370
54,440	14,842	(39,598)	305,792	220,014	(85,778)
120,000	93,683	(26,317)	1,434,800	1,271,885	(162,915)
0	0	0	14,000	10,612	(3,388)
0	7,500	7,500	431,656	508,671	77,015
174,440	116,025	(58,415)	12,692,666	10,306,953	(2,385,713)
0	0	0	3,739,377	3,141,925	597,452
0	0	0	3,678,806	3,527,696	151,110
10,700	1,250	9,450	246,756	233,575	13,181
0	0	0	670,311	702,556	(32,245)
0	0	0	2,045,953	846,620	1,199,333
0	0	0	1,384,282	1,200,410	183,872
0	0	0	2,293,825	1,122,106	1,171,719
0	0	0	408,105	265,232	142,873
0	0	0	64,117	64,117	0
10,700	1,250	9,450	14,531,532	11,104,237	3,427,295
163,740	114,775	(48,965)	(1,838,866)	(797,284)	1,041,582
0	0	0	300,000	300,000	0
(120,000)	(93,683)	26,317	(120,000)	(93,683)	26,317
0	0	0	927,745	716,162	(211,583)
(35,000)	(18,300)	16,700	(650,550)	(630,027)	20,523
(155,000)	(111,983)	43,017	457,195	292,452	(164,743)
8,740	2,792	(5,948)	(1,381,671)	(504,832)	876,839
836,441	836,441	0	3,801,954	3,801,954	0
\$ 845,181	\$ 839,233	\$ (5,948)	\$ 2,420,283	\$ 3,297,122	\$ 876,839

CITY OF CAMBRIDGE

*Combined Statement of Revenues, Expenses,
and Changes in Fund Equity*
All Proprietary Fund Types and Similar Trust Funds

For The Year Ended December 31, 2002

	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:				
Charges for Services	\$ 5,035,569	\$ 770,766	\$0	\$ 5,806,335
Investment Earnings	0	0	346	346
Other Operating Revenue	5,756	118,246	0	124,002
<i>Total Operating Revenues</i>	5,041,325	889,012	346	5,930,683
Operating Expenses:				
Personal Services	1,625,976	0	0	1,625,976
Contractual Services	905,008	214,456	0	1,119,464
Materials and Supplies	669,710	0	0	669,710
Claims Expense	0	711,409	0	711,409
Depreciation	562,181	0	0	562,181
Other	0	0	21	21
<i>Total Operating Expenses</i>	3,762,875	925,865	21	4,688,761
Operating Income (Loss)	1,278,450	(36,853)	325	1,241,922
Non-Operating Revenues/(Expenses):				
Investment Earnings	6,784	322	0	7,106
Donations	4,800	0	0	4,800
Interest and Fiscal Charges	(464,950)	0	0	(464,950)
Other Non-Operating Expenses	(44,409)	0	0	(44,409)
<i>Total Non-Operating Revenues (Expenses)</i>	(497,775)	322	0	(497,453)
Income (Loss) Before Operating Transfers	780,675	(36,531)	325	744,469
Operating Transfers In	115,065	0	0	115,065
Operating Transfers Out	(201,200)	0	0	(201,200)
Net Income (Loss)	694,540	(36,531)	325	658,334
Retained Earnings at Beginning of Year	6,912,336	(79,269)	45,300	6,878,367
Retained Earnings at End of Year	7,606,876	(115,800)	45,625	7,536,701
Contributed Capital at End of Year	5,129,168	0	0	5,129,168
Fund Equity at End of Year	<u>\$ 12,736,044</u>	<u>\$ (115,800)</u>	<u>\$ 45,625</u>	<u>\$ 12,665,869</u>

See accompanying notes to the financial statements.

CITY OF CAMBRIDGE

Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended December 31, 2002

	Enterprise Funds	Internal Service	Non-Expendable Trust	Totals (Memorandum Only)
Cash flows from Operating Activities:				
Cash Received from Customers	\$ 5,103,001	\$0	\$0	\$ 5,103,001
Investment Earnings	0	0	371	371
Cash Received from Quasi-External Transactions	0	770,766	0	770,766
Other Operating Receipts	12,335	170,221	0	182,556
Cash Payments to Suppliers for Goods and Services	(582,720)	0	0	(582,720)
Cash Payments to Employees	(1,525,035)	0	0	(1,525,035)
Cash Payments for Contractual Services	(935,297)	(214,456)	0	(1,149,753)
Other Operating Expenses	0	0	(21)	(21)
Claims Paid	0	(722,170)	0	(722,170)
Net Cash Provided by Operating Activities	<u>2,072,284</u>	<u>4,361</u>	<u>350</u>	<u>2,076,995</u>
Cash Flows from Noncapital Financing Activities:				
Other Non-operating Expenses	(44,409)	0	0	(44,409)
Transfers In	115,065	0	0	115,065
Transfers Out	(201,200)	0	0	(201,200)
Net Cash (Used for) Noncapital Financing Activities	<u>(130,544)</u>	<u>0</u>	<u>0</u>	<u>(130,544)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Notes	22,510	0	0	22,510
Acquisition of Capital Assets	(282,759)	0	0	(282,759)
Principal Payments on Debt	(566,412)	0	0	(566,412)
Interest Payments	(440,219)	0	0	(440,219)
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,266,880)</u>	<u>0</u>	<u>0</u>	<u>(1,266,880)</u>
Cash Flows from Investing Activities:				
Interest	6,841	413	0	7,254
Net Cash Provided by Investing Activities	<u>6,841</u>	<u>413</u>	<u>0</u>	<u>7,254</u>
Net Increase in Cash and Cash Equivalents	681,701	4,774	350	686,825
Cash and Cash Equivalents at Beginning of Year	4,216,468	8,460	45,275	4,270,203
Cash and Cash Equivalents at End of Year	<u>\$ 4,898,169</u>	<u>\$ 13,234</u>	<u>\$ 45,625</u>	<u>\$ 4,957,028</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 1,278,450	\$ (36,853)	\$ 325	\$ 1,241,922
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	562,181	0	0	562,181
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	66,758	51,975	0	118,733
(Increase) in Prepaids	(17,709)	0	0	(17,709)
Decrease in Accrued Interest	0	0	25	25
Decrease in Materials and Supplies Inventory	4,667	0	0	4,667
Increase in Accounts Payable	76,996	0	0	76,996
(Decrease) in Accrued Wages	(40,299)	0	0	(40,299)
Increase in Compensated Absences Payable	71,665	0	0	71,665
(Decrease) in Claims Payable	0	(10,761)	0	(10,761)
Increase in Intergovernmental Payable	69,575	0	0	69,575
Net Cash Provided by Operating Activities	<u>\$ 2,072,284</u>	<u>\$ 4,361</u>	<u>\$ 350</u>	<u>\$ 2,076,995</u>
Reconciliation:				
Cash and Cash Equivalents - All Fiduciary Funds	\$1,121,067			
Cash and Cash Equivalents - Agency Funds	(245,229)			
Cash and Cash Equivalents - Expendable Trust Funds	(830,213)			
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u>\$45,625</u>			

See accompanying notes to the financial statements.

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CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cambridge, Ohio (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City was incorporated in 1837 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government.

The accompanying general purpose financial statements comply with the provisions of the Governmental Accounting Standards Board (the “GASB”) Statement No. 14, “*The Financial Reporting Entity*,” in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization’s governing body and either (1) the City’s ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City’s financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

Related Organizations

Guernsey County Convention Facilities Authority – The Convention Facilities Authority (CFA) was created pursuant to state statutes for the purpose of constructing, equipping, and operating a convention facility in Guernsey County. The Authority operates under the direction of an eleven member appointed board of directors. This board consists of six members appointed by Guernsey County, three members appointed by the Mayor of Cambridge, and two members appointed by the remaining municipal corporations located within the County. The City’s accountability does not extend beyond making the appointments.

Cambridge Metropolitan Housing Authority – The Cambridge Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to state statutes. The Authority is operated by a five member board. Two members are appointed by the Mayor of Cambridge, one member is appointed by the common pleas court judge, and one member is appointed by the Guernsey County Commissioners. The City is not financial accountable for the Authority.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Guernsey County Airport Authority – The Guernsey County Airport Authority was created to provide for the orderly development of aviation facilities in the region. The Authority is governed by a five member board. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Board of County Commissioners. The City of Cambridge provides 90% of the funds received by the Authority. However, the City is not financial accountable for the Authority.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

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

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term obligation principal and interest.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

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

Proprietary Funds:

The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and related earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund – This fund is used to account for the financing of services provided by one department to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains expendable trust funds, nonexpendable trust funds, and agency funds.

Expendable Trust Funds – These funds are accounted for and reported similarly to governmental funds.

Nonexpendable Trust Funds – These funds are accounted for and reported similarly to proprietary funds.

Agency Funds – These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. 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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collective within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes state levied locally shared taxes (including motor vehicle license fees), income tax, local government assistance, grants and inheritance taxes due from the County. Other revenue including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Property taxes measurable as of December 31, 2002, but are not intended to finance 2002 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

Pursuant to GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and non-expendable trust funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

Appropriations:

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed. These supplemental appropriations did have a significant affect on the original appropriations. Final total appropriations reflect a 23% increase over total original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded.

Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

The following table summarized the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds and expendable trust funds:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$ (163,036)	\$ (297,279)	\$ (24,906)	\$ 72,111	\$ 4,745
Increase (Decrease):					
Revenue Accruals	(159,416)	266,638	0	467,205	(1,992)
Proceeds of Notes	0	300,000	0	0	0
Capital Lease Proceeds	0	(75,306)	0	0	0
Accrued expenditures	(14,211)	59,694	0	(372,242)	39
Debt Interest Payment	0	3,380	12,797	0	0
Outstanding encumbrances	(53,855)	(129,630)	0	(399,568)	0
Budget Basis	<u>\$ (390,518)</u>	<u>\$ 127,497</u>	<u>\$ (12,109)</u>	<u>\$ (232,494)</u>	<u>\$ 2,792</u>

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAROhio) and short-term certificates of deposit with original maturities of three months or less. The STAROhio is considered an investment for purposes of GASB Statement No. 3, but is reported as a cash equivalent in the general purpose financial statements because it is a highly liquid instrument which is readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instrument described above, represents the balance on hand as if each fund maintained its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be a cash equivalent. See Note 4 "Deposits and Investments."

Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting for Financial Reporting for Certain Investments and for External Investment Pools," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among the various funds based upon applicable legal and administrative requirements. See Note 4 "Deposits and Investments."

The City has invested funds in the STAROhio during 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are reported in the respective funds. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Buildings	25 years
Improvements other than Buildings	25-65 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years
Vehicles	4-20 years

Capitalization of Interest

In accordance with FASB Statement 62, the City adopted the policy of capitalizing net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended December 31, 2002, no interest cost was capitalized in connection with funds borrowed from the Ohio Water Development Authority.

Long Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Swimming Pool Debt Service Fund
Special Assessment Bonds	Water Fund, Sewer Fund
Mortgage Revenue Bond	Water Fund
Capital Leases	Cemetery Fund, Sewer Fund, Fire Fund, Street Fund
OWDA Loans	Sewer Debt Reserve Fund, Water Fund

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

OPWC Loans	Municipal Motor Vehicle Tax Fund, Water Fund
Compensated Absences	General Fund, Street Fund, Fire Fund, Cemetery Fund, Water Fund, Sewer Fund
Accrued Pension Liability	Police Pension Fund, Fire Pension Fund

Compensated Absences

GASB Statement 16, "Accounting for Compensated Absences," specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments. Employees with five years of service with the City are deemed vested.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees with five or more years of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds the entire amount of compensated absences is reported as a fund liability.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and shared revenues, are recorded as receivables and revenues when all eligibility requirements have been satisfied and available when on a modified accrual basis. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, debt services, revolving loans and endowments.

Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be paid with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available financial resources. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds prior to 2001 that is not subject to repayment. Capital contributions received in 2002 have been recorded as revenues and are reported as increases in retained earnings. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources was expensed and closed to unreserved retained earnings at year end except for depreciation on assets acquired through grants, which is expensed and closed to contributed capital at year end.

Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The fund deficits at December 31, 2002 of \$19 in the Municipal Airport Fund, \$241,833 in the Street Improvement Fund, \$3,257 in the Cemetery Fund and \$532 in the SENT Grant Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The retained earnings deficit of \$115,800 in the Insurance Fund (internal service fund) arose from the recognition of expenses on the accrual basis which is greater than those on the cash basis. Deficits do not exist under the budgetary basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, 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 the repayment of all public moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

4. Bond 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) 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).

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 City, 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 as deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year-end, the carrying amount of the City's deposits was \$8,218,409, and the bank balance was \$8,449,715. Of the bank balance:

1. \$240,117 was covered by federal depository insurance.
2. \$8,209,598 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments. The City's investments at December 31, 2002 were in STAROhio (Non-Categorized Investments) with a fair value of \$857,019.

CITY OF CAMBRIDGE, OHIO

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The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statements No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 9,075,428	\$ 0
Investments:		
STAROhio	<u>(857,019)</u>	<u>857,019</u>
GASB Statement 3	<u>\$ 8,218,409</u>	<u>\$ 857,019</u>

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date, and were collected in 2002. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2002 attached as a lien on December 31, 2001, were levied after October 1, 2001 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2002 tangible personal property taxes are levied after October 1, 2000, on the value listed as of December 31, 2001 and are collected in 2002. Tangible personal property assessments are 25% of true value.

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The full tax rate for all City operations for the year ended December 31, 2002 was \$13.50 per \$1,000 of assessed value. The assessed value upon which the 2002 tax receipts were based was \$131,701,330. This amount constitutes \$95,944,840 in real property assessed value, \$6,822,490 in public utility assessed value and \$28,934,000 tangible personal property assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.40% (14.00 mills) of assessed value.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2002. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2002 operations, the receivable is offset by a credit to deferred revenue.

B. Income Tax

The City levies a tax of 1.25% on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

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NOTE 6 - RECEIVABLES

Receivables at December 31, 2002 consisted of taxes, accounts receivable, loans, interest and intergovernmental receivables arising from shared revenues.

NOTE 7 – OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 102,700	\$ 404,269
Special Revenue Funds:		
Fire Protection Fund	0	190,893
Tree Fund	5,000	0
Municipal Airport Fund	113,000	0
Fire Pension Fund	190,893	0
Police Pension Fund	173,931	0
Enforcement and Education Fund	0	1,500
Federal VOCA Fund	1,338	0
Cemetery Fund	129,300	0
Total Special Revenue Funds	<u>613,462</u>	<u>192,393</u>
Debt Service Fund:		
Bond Retirement Fund	0	15,065
Expendable Trust Fund:		
Northwood Cemetery Maintenance Fund	0	18,300
Enterprise Fund:		
Water Fund	103,914	162,054
Sewer Fund	11,151	39,146
Total Enterprise Fund	<u>115,065</u>	<u>201,200</u>
Total All Funds	<u>\$ 831,227</u>	<u>\$ 831,227</u>

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

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NOTE 8 - FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets

A summary by category of changes in general fixed assets follows:

	Balance 1/1/2002	Additions	Deletions	Balance 12/31/2002
Land	\$ 467,983	\$ 1,003,807	\$ 0	\$ 1,471,790
Buildings	2,226,650	106,786	0	2,333,436
Improvements other than buildings	1,661,827	9,072	0	1,670,899
Machinery and equipment	<u>3,603,232</u>	<u>293,917</u>	<u>(147,509)</u>	<u>3,749,640</u>
Totals	<u>\$ 7,959,692</u>	<u>\$ 1,413,582</u>	<u>\$ (147,509)</u>	<u>\$ 9,225,765</u>

B. Proprietary Fixed Assets

A summary of the enterprise funds' property, plant and equipment at December 31, 2002 follows:

Land	\$ 216,900
Buildings and Improvements	9,243,420
Improvements other than Buildings	13,463,084
Machinery and Equipment	2,448,651
Water Lines	429,956
Sewer Lines	<u>364,281</u>
Total	26,166,292
Less: Accumulated Depreciation	<u>(9,639,146)</u>
Net Fixed Assets	<u>\$ 16,527,146</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The City is required to contribute 13.55%. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$484,754, \$456,761 and \$353,221, respectively. The full amount has been contributed for 2001 and 2000. 73.7% has been contributed for 2002 with the remainder being reported as a liability in the enterprise fund and the general long-term obligations account group.

The PERS of Ohio provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post employment health care through their contributions to the PERS of Ohio. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$178,874.

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The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00%. An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase were assumed to range from .50% to 6.3%. Health care costs were assumed to increase 4.00% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F Fund for the years ending December 31, 2002, 2001 and 2000 were \$201,380, \$189,416 and \$183,545 for police and \$210,600, \$213,785 and \$213,068 for firefighters, respectively, which were equal to the required contributions for each year.

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The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2002 covered payroll that was used to fund postretirement health care benefits was \$80,036 representing 7.75% of covered payroll for police and \$68,006 representing 7.75% of covered payroll for firefighters. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 10 - COMPENSATED ABSENCES

All full-time City employees earn sick leave at the rate of 4.6 hours for each completed eighty (80) hours in active pay status, with the exception of the fire department employees. All fire department employees working 24 hour crew shifts accumulate 14 hours of sick leave per pay period. Upon retirement from the City, administrative personnel and fire department employees with five (5) years of service or more with the City receive a lump sum settlement for unused sick leave at the rate of one-half (1/2) of all unused sick leave or a maximum of 60 days or 480 hours. In addition, any fire department employee who retires or is laid-off after ten (10) years of service, is eligible to receive 10% of all sick time in excess of 960 hours. All AFSCME and police department employees are paid for one half (1/2) of the value of earned, but unused sick leave credit, at the time of retirement from active service with the City. The payment is based upon a maximum of sixty (60) days at the employee's hourly rate of compensation at the time of retirement.

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2002 the liability for unpaid compensated absences was \$888,148.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

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NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2002 consisted of the following:

<u>Maturity Year</u>		<u>Interest Rate</u>	<u>Principal Balance 1/1/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2002</u>
Enterprise Funds Long-Term Debt:						
Mortgage Revenue Bond:						
2015	Waterworks Improvement	4.60-5.50%	\$ 2,777,312	\$ 5,516	\$ (140,000)	\$ 2,642,828
	Total Mortgage Revenue Bonds		2,777,312	5,516	(140,000)	2,642,828
Special Assessment Bonds:						
2017	Waterline Improvement	4.80%	46,276	46	(1,297)	45,025
2017	Sewerline Improvement	4.80%	132,183	131	(3,703)	128,611
	Total Special Assessment Bonds		178,459	177	(5,000)	173,636
OWDA Loans:						
2011	Water Pollution Improvement	5.00%	2,883,216	0	(260,800)	2,622,416
2019	Water Pollution Improvement	4.04%	3,398,584	0	(148,377)	3,250,207
	Total OWDA loans payable		6,281,800	0	(409,177)	5,872,623
OPWC Loan:						
2022	Water Treatment Plant Filter Rehabilitation	0.00%	161,947	22,510	(9,223)	175,234
	Total OPWC Loan		161,947	22,510	(9,223)	175,234
	Total Enterprise Funds Long- Term Debt		9,399,518	28,203	(563,400)	8,864,321
Other Enterprise Long-Term Obligations:						
2002	Capital Lease	6.75%	3,011	0	(3,011)	0
	Total Enterprise Funds Long-Term Debt and Other Enterprise Long-Term Obligations		\$ 9,402,529	\$ 28,203	\$ (566,411)	\$ 8,864,321

CITY OF CAMBRIDGE, OHIO

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<u>Maturity Year</u>		<u>Interest Rate</u>	<u>Principal Balance 1/1/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2002</u>
General Long-Term Debt:						
General Obligation Bonds:						
2004	Recreational Facility Bonds	5.30%	\$ 515,000	\$ 0	\$ (165,000)	\$ 350,000
Ohio Public Works Commission Loans:						
2004	Street Paving '93B	0.00%	7,700	0	(3,080)	4,620
2004	Various Street Resurfacing	0.00%	3,470	0	(1,734)	1,736
2004	Street Project '98	0.00%	3,995	0	(1,997)	1,998
2005	Street Project '94	0.00%	5,003	0	(1,430)	3,573
2006	Street Project '95	0.00%	11,176	0	(2,794)	8,382
2008	Street Project '98	0.00%	10,312	0	(1,719)	8,593
2009	Street Project '99	0.00%	7,653	0	(1,020)	6,633
	Total OPWC Loans		<u>49,309</u>	<u>0</u>	<u>(13,774)</u>	<u>35,535</u>
	Total General Long-Term Debt	0.00%	564,309	0	(178,774)	385,535
Other Long-Term Obligations:						
	Compensated absences		535,931	155,132	0	691,063
2007	Capital leases (restated)	5.5%-8.90%	196,665	75,306	(78,600)	193,371
	Intergovernmental payable		0	119,698	0	119,698
	Accrued pension liability		<u>564,154</u>	<u>0</u>	<u>(7,859)</u>	<u>556,295</u>
	Total general other long-term obligations		<u>1,296,750</u>	<u>350,136</u>	<u>(86,459)</u>	<u>1,560,427</u>
	Total general long-term debt and other long-term obligations		<u>\$ 1,861,059</u>	<u>\$ 350,136</u>	<u>\$ (265,233)</u>	<u>\$ 1,945,962</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2002, \$173,636, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

CITY OF CAMBRIDGE, OHIO

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A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2002 follows:

Years	General Obligation Bonds		Mortgage Revenue Bond		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 170,000	\$ 19,430	\$ 144,793	\$ 146,150	\$ 428,435	\$ 257,502	\$ 9,834	\$ 9,820
2004	180,000	10,080	150,112	138,350	448,609	237,328	9,843	9,320
2005	0	0	160,451	130,313	469,741	216,197	9,853	8,810
2006	0	0	165,801	121,550	491,880	194,056	9,864	8,295
2007	0	0	176,172	112,200	515,072	170,865	9,873	7,775
2008-2012	0	0	1,052,197	400,675	2,129,774	496,430	49,520	30,450
2013-2017	0	0	793,302	89,100	1,249,827	171,154	74,849	13,050
2018-2022	0	0	0	0	139,285	2,814	0	0
2023-2027	0	0	0	0	0	0	0	0
2028-2032	0	0	0	0	0	0	0	0
2033-2035	0	0	0	0	0	0	0	0
Totals	\$ 350,000	\$ 29,510	\$2,642,828	\$1,138,338	\$ 5,872,623	\$ 1,746,346	\$ 173,636	\$ 87,520

Years	OPWC Loans		Police/Fire Accrued Pension Liability		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 23,000	\$ 0	\$ 8,167	\$ 23,585	\$ 79,081	\$ 11,402	\$ 863,310	\$ 467,889
2004	17,724	0	8,518	23,234	79,913	6,568	894,719	424,880
2005	15,472	0	8,885	22,868	10,851	1,891	675,253	380,079
2006	11,961	0	9,267	22,486	11,448	1,294	700,221	347,681
2007	11,962	0	9,666	22,088	12,078	664	734,823	313,592
2008-2012	47,645	0	54,934	103,832	0	0	3,334,070	1,031,387
2013-2017	46,114	0	67,802	90,959	0	0	2,231,894	364,263
2018-2022	36,891	0	83,691	75,072	0	0	259,867	77,886
2023-2027	0	0	103,301	55,462	0	0	103,301	55,462
2028-2032	0	0	127,509	31,252	0	0	127,509	31,252
2033-2035	0	0	74,555	4,827	0	0	74,555	4,827
Totals	\$ 210,769	\$ 0	\$ 556,295	\$ 475,665	\$ 193,371	\$ 21,819	\$9,999,522	\$3,499,198

Policy and Firemen's Pension Fund

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2002 was \$1,031,649 in principal and interest payments through the year 2035. Only the principal amount of \$556,295 is included in the General Long-Term Obligations Account Group.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

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Revenue Bond Covenants

Provisions of the revenue bond require the City to do the following:

1. Make monthly deposits to Fifth Third Bank equal to 1/12 of annual principal and interest amounts minus investment earnings on the deposits.
2. Deposit monthly \$2,500 into a City-held Water Replacement and Improvement Account until the balance in the account totals \$300,000. Moneys may be spent from the account for replacements and improvements to the water system at any time. As long as the balance is less than \$300,000, monthly deposits will be made.
3. Annually the City will review the previous year's receipts and expenditures in the water fund. In any year that receipts are not sufficient after deducting operating and maintenance expenses to equal 110% of debt service, an outside consultant must be hired to review rates and the City must then act upon his recommendations within 60 days of the receipt of those recommendations.

NOTE 12 – CAPITAL LEASE

The City is obligated under leases for cemetery department mowers and gator vehicle, a street department Dura patcher, backhoe and air compressor, and a fire rescue vehicle. The leases are accounted for as capital leases. The cost of the equipment obtained under capital lease and the related liability is included in the general long-term obligations account group and general fixed asset account group.

The following is a schedule of the future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2002:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2003	\$ 90,482
2004	86,482
2005	12,742
2006	12,742
2007	<u>12,742</u>
Minimum lease payments	215,190
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(21,819)</u>
Present value of minimum lease payments	<u>\$ 193,371</u>

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

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NOTE 13 – SHORT-TERM DEBT

The city issued a bond anticipation note in the amount of \$300,000 during 2002 for the purpose of paying the cost of certain street and drainage improvements. The note liability is reflected in the Street Improvement Fund (Special Revenue Fund Type). This note is backed by the full faith, and credit of the City.

NOTE 14 – INSURANCE AND RISK MANAGEMENT

Self Insurance

The City maintains a self-funded health insurance program with claims processed by administrators on behalf of the City. A separate Self-Insurance Fund (an internal service fund) was created in 1989 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased which covers claims in excess of \$50,000 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past three fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$770,766. The claims liability of \$130,000 reported in the Self-Insurance Fund at December 31, 2002 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal 2001 and 2002 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payable</u>	<u>Balance at Fiscal Year End</u>
2001	\$ 136,774	\$ 964,231	\$ (960,244)	\$ 140,761
2002	140,761	711,409	(722,170)	130,000

CITY OF CAMBRIDGE, OHIO

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Other Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, the City belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 2000, 2001 and 2002.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	
Assets	<u>2002</u>
Liabilities	\$ 20,174,977
Retained Earnings	(8,550,749)
<u>Property Coverage</u>	<u>\$ 11,624,228</u>
Assets	\$ 2,565,408
Liabilities	<u>(655,318)</u>
Retained Earnings	<u>\$ 1,910,090</u>

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 15 – CONTRIBUTED CAPITAL

There were no changes to contributed capital during 2002. Contributed capital is as follows:

	<u>Balance 12/31/2002</u>
Water	\$ 2,154,840
Sewer	<u>2,974,328</u>
Total Enterprise	<u>\$ 5,129,168</u>

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2002 for these enterprise activities is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$ 2,547,048	\$ 2,494,277	\$ 5,041,325
Depreciation	(341,345)	(220,836)	(562,181)
Operating income (loss)	599,291	679,159	1,278,450
Operating transfers in	103,914	11,151	115,065
Operating transfers (out)	(162,054)	(39,146)	(201,200)
Net income	188,361	506,179	694,540
Property, Plant and Equipment:			
Additions	52,154	170,665	222,819
Deletions	(38,379)	(42,250)	(80,629)
Assets	11,139,968	11,032,651	22,172,619
Net Working Capital	1,797,661	2,984,678	4,782,339
Loans and Bonds Payable	6,113,294	2,751,027	8,864,321
Total Equity	4,700,583	8,035,461	12,736,044

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

The City is associated with the Southeastern Ohio Narcotics Team (S.E.N.T.). S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. Of the 32 board members, the City appoints two. Each member's control over the operation of S.E.N.T. is limited to its representation on the board. In 2002 the City contributed \$3,425 to S.E.N.T., which represents 6.80% of total contributions.

NOTE 18 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2002, there were two series of Revenue Bonds outstanding, with a principal amount payable of \$27,690,000.

CITY OF CAMBRIDGE, OHIO

Notes to the General Purpose Financial Statements

DECEMBER 31, 2002

NOTE 19 – CONSTRUCTION COMMITMENTS

As of December 31, 2002 the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Granite Bronze	\$ 356,520	2003

NOTE 20 - CONTINGENCIES

The City is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The City received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2002.

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	2003VA-GENE-029	16.575	\$4,506
	2002VA-GENE-029	16.575	<u>13,520</u>
Total Victims of Crime Act			18,026
<i>Passed Through Office of Criminal Justice Services:</i>			
Drug Control and System Improvement Act	2000-DG-A01-7195S	16.579	13,863
	2002-DG-A01-7195	16.579	<u>144,166</u>
Total Drug Control and System Improvement Act			<u>158,029</u>
Total U.S. Department of Justice			176,055
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant			
Small Cities Program	A-F-99-100-1	14.228	72,610
Small Cities Program	A-F-00-100-1	14.228	78,850
Small Cities Program	A-F-01-100-1	14.228	71,300
Downtown Revitalization Program	A-T-00-100-1	14.228	56,690
CHIP Grant	A-P-00-100-1	14.228	103,463
ARC Grant	A-00-100-1	14.228	<u>117,100</u>
Total Community Development Block Grant			<u>500,013</u>
Total U.S. Department of Housing and Urban Development			500,013
<u>Federal Emergency Management Agency</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Hazard Mitigation Grant	FEMA-DR-1227-0008-0H	83.548	<u>214,882</u>
Total Federal Emergency Management Agency			214,882
<u>U.S. Department of Commerce</u>			
<i>Direct Program:</i>			
Economic Development Administration	N/A	11.300	<u>498,376</u>
Total U.S. Department of Commerce			<u>498,376</u>
Total Federal Awards Expenditures			<u><u>\$1,389,326</u></u>

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

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amount of loans outstanding under this program was \$15,202 and is exhibited on the Combined Balance Sheet in the Special Revenue Fund Type as Revolving Loans Receivable.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-Federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

City of Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

To the City Council:

We have audited the general purpose financial statements of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated September 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 30, 2003.

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

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

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

Betty Montgomery
Auditor of State

September 30, 2003



**Auditor of State
Betty Montgomery**

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

City of Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

To the City Council:

Compliance

We have audited the compliance of the City of Cambridge, Guernsey County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 30, 2003.

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



Betty Montgomery
Auditor of State

September 30, 2003

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Hazard Mitigation Grant- C.F.D.A #83.548; Economic Development Administration - C.F.D.A #11.300
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
DECEMBER 31, 2002
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 Section .315 (b)
DECEMBER 31, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-21030-001	A finding for recovery was issued against a former employee for overpayment of his severance pay.	Yes	The finding was repaid on August 5, 2002.
2001-21030-002	City expenditures did not always include the prior certification of the City Auditor, per Ohio Rev. Code Section 5705.41(D).	No	Partially corrected; This was cited in the management letter.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF CAMBRIDGE

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
NOVEMBER 6, 2003**