

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 1998, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cambridge, Guernsey County, Ohio, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 1999, 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.

As described in Note 2 of the accompanying general purpose financial statements, during the year ended December 31, 1998, the City changed its method of accounting for investments and deferred compensation.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Jim Petro
Auditor of State

November 8, 1999

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$491,848	\$1,090,323	\$102,129	\$65,820
Receivables (net of allowance for doubtful accounts):				
Taxes	707,252	1,039,561	203,036	0
Accounts	319	62	0	0
Revolving Loans	0	74,157	0	0
Interest	12,119	3,770	0	0
Intergovernmental Receivables	306,929	315,776	25,223	6,690
Deferred Charge	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$1,518,467	\$2,523,649	\$330,388	\$72,510

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$2,671,484	\$200,205	\$1,220,942	\$0	\$0	\$5,842,751
0	0	0	0	0	1,949,849
827,312	1,374	0	0	0	829,067
0	0	0	0	0	74,157
1,301	0	3,475	0	0	20,665
0	30,453	9,724	0	0	694,795
101,133	0	0	0	0	101,133
456,687	0	0	0	0	456,687
16,324,735	0	0	7,502,025	0	23,826,760
0	0	0	6,626	0	6,626
0	0	0	0	102,129	102,129
0	0	0	0	1,830,374	1,830,374
<u>\$20,382,652</u>	<u>\$232,032</u>	<u>\$1,234,141</u>	<u>\$7,508,651</u>	<u>\$1,932,503</u>	<u>\$35,734,993</u>

(Continued)

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Funds	Funds	Funds	Funds
Liabilities, Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$84,125	\$49,730	\$0	\$26,713
Accrued Wages and Benefits	156,891	191,500	0	704
Intergovernmental Payables	294	0	0	0
Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	0
Claims Payable	0	0	0	0
Deferred Revenue	291,807	1,173,060	228,259	0
Compensated Absences Payable	0	0	0	0
Capital Lease Payable	0	0	0	0
Accrued Pension Liability	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	0	0	0	0
Ohio Public Works Commission				
Loans Payable	0	0	0	0
Ohio Water Development				
Authority Loan Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	533,117	1,414,290	228,259	27,417
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved for Restricted Assets	0	0	0	0
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	43,139	68,972	0	4,447
Reserved for Debt Service	0	0	102,129	0
Reserved for Revolving Loan	0	74,157	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	942,211	966,230	0	40,646
Total Equity and Other Credits	985,350	1,109,359	102,129	45,093
Total Liabilities, Equity and Other Credits	\$1,518,467	\$2,523,649	\$330,388	\$72,510

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

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

<i>Proprietary Fund Types</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$225,749	\$0	\$0	\$0	\$0	\$386,317
99,747	0	0	0	0	448,842
36	0	0	0	0	330
104,839	0	364,890	0	0	469,729
16,554	0	0	0	0	16,554
0	98,557	0	0	0	98,557
0	0	0	0	0	1,693,126
128,346	0	0	0	317,800	446,146
35,456	0	0	0	9,417	44,873
0	0	0	0	585,841	585,841
0	0	0	0	955,000	955,000
192,899	0	0	0	0	192,899
0	0	0	0	64,445	64,445
7,443,866	0	0	0	0	7,443,866
3,139,086	0	0	0	0	3,139,086
11,386,578	98,557	364,890	0	1,932,503	15,985,611
0	0	0	7,508,651	0	7,508,651
4,900,622	0	0	0	0	4,900,622
456,687	0	0	0	0	456,687
3,638,765	133,475	0	0	0	3,772,240
0	0	0	0	0	116,558
0	0	0	0	0	102,129
0	0	0	0	0	74,157
0	0	50,125	0	0	50,125
0	0	819,126	0	0	2,768,213
8,996,074	133,475	869,251	7,508,651	0	19,749,382
\$20,382,652	\$232,032	\$1,234,141	\$7,508,651	\$1,932,503	\$35,734,993

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THE CITY OF CAMBRIDGE, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$2,812,978	\$1,445,667	\$145,846	\$0	\$0	\$4,404,491
Intergovernmental Revenues	788,660	1,458,973	83,158	103,446	0	2,434,237
Charges for Services	2,246	371,186	0	0	0	373,432
Licenses and Permits	5,294	0	0	0	0	5,294
Investment Earnings	130,497	23,443	0	0	41,499	195,439
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	604,041	166,406	0	74,998	0	845,445
All Other Revenues	261,435	71,077	0	0	95,267	427,779
Total Revenues	4,605,151	3,536,752	229,004	178,444	136,766	8,686,117
Expenditures:						
Current:						
Security of Persons and Property	1,342,566	1,643,576	0	0	0	2,986,142
Leisure Time Activities	367,434	215,535	0	0	0	582,969
Community Environment	61,423	266,057	0	0	0	327,480
Transportation	124,949	810,189	0	0	0	935,138
General Government	2,184,291	164,128	0	0	0	2,348,419
Other Expenditures	0	0	0	0	92,356	92,356
Capital Outlay	0	0	0	254,443	0	254,443
Debt Service:						
Principal Retirements	0	11,812	130,000	0	0	141,812
Interest and Fiscal Charges	0	42	75,062	0	0	75,104
Total Expenditures	4,080,663	3,111,339	205,062	254,443	92,356	7,743,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	524,488	425,413	23,942	(75,999)	44,410	942,254
Other Financing Sources (Uses):						
Operating Transfers In	0	460,640	0	25,000	0	485,640
Operating Transfers Out	(312,303)	(745,922)	0	0	(5,000)	(1,063,225)
Other Financing Sources	0	133,241	0	0	0	133,241
Other Financing Uses	0	0	0	0	(1,289)	(1,289)
Total Other Financing Sources (Uses)	(312,303)	(152,041)	0	25,000	(6,289)	(445,633)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	212,185	273,372	23,942	(50,999)	38,121	496,621
Fund Balance Beginning of Year	773,165	856,778	78,187	96,092	781,005	2,585,227
Decrease in Inventory Reserve	0	(20,791)	0	0	0	(20,791)
Fund Balance End of Year	\$985,350	\$1,109,359	\$102,129	\$45,093	\$819,126	\$3,061,057

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

THE CITY OF CAMBRIDGE, OHIO
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, 1998

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,773,359	\$2,835,340	\$61,981	\$1,352,145	\$1,445,417	\$93,272
Intergovernmental Revenues	675,707	791,119	115,412	2,374,944	1,414,472	(960,472)
Charges for Services	5,000	2,264	(2,736)	349,672	373,358	23,686
Licenses and Permits	5,500	5,294	(206)	0	0	0
Investment Earnings	115,000	123,136	8,136	14,200	21,528	7,328
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	550,000	594,678	44,678	122,200	166,697	44,497
All Other Revenues	429,203	259,873	(169,330)	64,290	71,395	7,105
Total Revenues	4,553,769	4,611,704	57,935	4,277,451	3,492,867	(784,584)
Expenditures:						
Current:						
Security of Persons and Property	1,374,251	1,340,680	33,571	1,768,442	1,678,285	90,157
Leisure Time Activities	398,457	371,159	27,298	262,899	232,092	30,807
Community Environment	137,636	71,496	66,140	1,138,145	333,576	804,569
Transportation	174,736	174,030	706	980,341	895,290	85,051
General Government	2,510,837	2,278,471	232,366	199,744	166,205	33,539
Other Expenditures	0	0	0	100,000	0	100,000
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	11,812	11,812	0
Interest and Fiscal Charges	0	0	0	42	42	0
Total Expenditures	4,595,917	4,235,836	360,081	4,461,425	3,317,302	1,144,123
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,148)	375,868	418,016	(183,974)	175,565	359,539
Other Financing Sources (Uses):						
Operating Transfers In	105,000	0	(105,000)	466,453	460,640	(5,813)
Operating Transfers Out	(315,000)	(312,303)	2,697	(1,068,337)	(745,922)	322,415
Other Financing Sources	0	0	0	25,000	133,241	108,241
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(210,000)	(312,303)	(102,303)	(576,884)	(152,041)	424,843
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(252,148)	63,565	315,713	(760,858)	23,524	784,382
Fund Balance at Beginning of Year	212,437	212,437	0	773,293	773,293	0
Prior Year Encumbrances	112,927	112,927	0	177,829	177,829	0
Fund Balance at End of Year	\$73,216	\$388,929	\$315,713	\$190,264	\$974,646	\$784,382

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

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THE CITY OF CAMBRIDGE, OHIO
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, 1998

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$133,866	\$145,846	\$11,980	\$0	\$0	\$0
Intergovernmental Revenues	76,328	83,158	6,830	103,840	103,446	(394)
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	70,000	73,980	3,980
All Other Revenues	0	0	0	0	0	0
Total Revenues	210,194	229,004	18,810	173,840	177,426	3,586
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	285,522	259,907	25,615
Debt Service:						
Principal Retirement	130,000	130,000	0	0	0	0
Interest and Fiscal Charges	80,588	75,062	5,526	0	0	0
Total Expenditures	210,588	205,062	5,526	285,522	259,907	25,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	(394)	23,942	24,336	(111,682)	(82,481)	29,201
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	25,000	25,000	0
Operating Transfers Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	25,000	25,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(394)	23,942	24,336	(86,682)	(57,481)	29,201
Fund Balance at Beginning of Year	78,187	78,187	0	90,651	90,651	0
Prior Year Encumbrances	0	0	0	1,490	1,490	0
Fund Balance at End of Year	\$77,793	\$102,129	\$24,336	\$5,459	\$34,660	\$29,201

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THE CITY OF CAMBRIDGE, OHIO
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, 1998

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>						
Taxes	\$0	\$0	\$0	\$4,259,370	\$4,426,603	\$167,233
Intergovernmental Revenues	0	0	0	3,230,819	2,392,195	(838,624)
Charges for Services	0	0	0	354,672	375,622	20,950
Licenses and Permits	0	0	0	5,500	5,294	(206)
Investment Earnings	38,000	41,544	3,544	167,200	186,208	19,008
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	742,200	835,355	93,155
All Other Revenues	100,000	92,356	(7,644)	593,493	423,624	(169,869)
Total Revenues	138,000	133,900	(4,100)	9,353,254	8,644,901	(708,353)
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	0	0	0	3,142,693	3,018,965	123,728
Leisure Time Activities	0	0	0	661,356	603,251	58,105
Community Environment	0	0	0	1,275,781	405,072	870,709
Transportation	0	0	0	1,155,077	1,069,320	85,757
General Government	0	0	0	2,710,581	2,444,676	265,905
Other Expenditures	100,000	92,356	7,644	200,000	92,356	107,644
Capital Outlay	0	0	0	285,522	259,907	25,615
Debt Service:						
Principal Retirement	0	0	0	141,812	141,812	0
Interest and Fiscal Charges	0	0	0	80,630	75,104	5,526
Total Expenditures	100,000	92,356	7,644	9,653,452	8,110,463	1,542,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,000	41,544	3,544	(300,198)	534,438	834,636
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	0	0	0	596,453	485,640	(110,813)
Operating Transfers Out	(35,000)	(5,000)	30,000	(1,418,337)	(1,063,225)	355,112
Other Financing Sources	0	0	0	25,000	133,241	108,241
Other Financing Uses	(4,000)	(1,289)	2,711	(4,000)	(1,289)	2,711
Total Other Financing Sources (Uses)	(39,000)	(6,289)	32,711	(800,884)	(445,633)	355,251
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,000)	35,255	36,255	(1,101,082)	88,805	1,189,887
Fund Balance at Beginning of Year	770,731	770,731	0	1,925,299	1,925,299	0
Prior Year Encumbrances	0	0	0	292,246	292,246	0
Fund Balance at End of Year	\$769,731	\$805,986	\$36,255	\$1,116,463	\$2,306,350	\$1,189,887

THE CITY OF CAMBRIDGE, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Funds	Totals (Memorandum Only)
<u>Operating Revenues:</u>				
Charges for Service	\$3,928,743	\$449,447	\$0	\$4,378,190
Investment Earnings	0	0	750	750
Total Operating Revenues	3,928,743	449,447	750	4,378,940
<u>Operating Expenses:</u>				
Personal Services	1,156,751	0	0	1,156,751
Materials and Supplies	758,746	0	0	758,746
Contractual Services	282,383	193,507	0	475,890
Health Insurance Claims	0	297,589	0	297,589
Utilities	297,053	0	0	297,053
Depreciation	421,474	0	0	421,474
Other Expenses	60,891	0	0	60,891
Total Operating Expenses	2,977,298	491,096	0	3,468,394
Operating Income (Loss)	951,445	(41,649)	750	910,546
<u>Nonoperating Revenues (Expenses):</u>				
Investment Earnings	37,188	8,114	0	45,302
Interest and Fiscal Charges	(523,178)	0	0	(523,178)
Other Nonoperating Revenue	12,965	0	0	12,965
Other Nonoperating Expense	(5,564)	0	0	(5,564)
Total Nonoperating Revenues (Expenses)	(478,589)	8,114	0	(470,475)
Income (Loss Before Operating Transfers)	472,856	(33,535)	750	440,071
<u>Operating Transfers:</u>				
Operating Transfers In	577,585	0	0	577,585
Total Operating Transfers	577,585	0	0	577,585
Net Income (Loss)	1,050,441	(33,535)	750	1,017,656
Retained Earnings/Fund Balance at Beginning of Year	3,045,011	167,010	49,375	3,261,396
Retained Earnings/Fund Balance at End of Year	\$4,095,452	\$133,475	\$50,125	\$4,279,052

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

THE CITY OF CAMBRIDGE, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Funds	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$3,978,830	\$0	\$0	\$3,978,830
Cash Received from Quasi-External Transactions	0	449,447	0	449,447
Cash Payments for Goods and Services	(1,331,927)	0	0	(1,331,927)
Cash Payments to Employees	(1,178,408)	(191,904)	0	(1,370,312)
Cash Payments for Claims	0	(282,894)	0	(282,894)
Net Cash Provided (Used) by Operating Activities	<u>1,468,495</u>	<u>(25,351)</u>	<u>0</u>	<u>1,443,144</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	577,585	0	0	577,585
Net Cash Provided by Noncapital Financing Activities	<u>577,585</u>	<u>0</u>	<u>0</u>	<u>577,585</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(2,163,537)	0	0	(2,163,537)
Proceeds from Ohio Water Development Authority Loans	1,254,985	0	0	1,254,985
Principal Paid on Special Assessment Bonds	(5,000)	0	0	(5,000)
Principal Paid on Revenue Bonds	(115,000)	0	0	(115,000)
Principal Paid on Ohio Water Development Authority Loans	(214,051)	0	0	(214,051)
Interest Paid on All Debt	(505,231)	0	0	(505,231)
Net Cash Used for Capital and Related Financing Activities	<u>(1,747,834)</u>	<u>0</u>	<u>0</u>	<u>(1,747,834)</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	288,815	0	0	288,815
Receipts of Interest	37,446	7,277	762	45,485
Net Cash Provided by Investing Activities	<u>326,261</u>	<u>7,277</u>	<u>762</u>	<u>334,300</u>
Net Increase (Decrease) in Cash and Cash Equivalents	624,507	(18,074)	762	607,195
Cash and Cash Equivalents at Beginning of Year	2,503,664	218,279	49,304	2,771,247
Cash and Cash Equivalents at End of Year	<u>\$3,128,171</u>	<u>\$200,205</u>	<u>\$50,066</u>	<u>\$3,378,442</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>				
Cash and Cash Equivalents	\$2,671,484	\$200,205	\$1,220,942	\$4,092,631
Restricted Cash and Cash Equivalents	456,687	0	0	456,687
Less Cash and Cash Equivalents in Agency Funds	0	0	(364,890)	(364,890)
Less Cash and Cash Equivalents in Expendable Trust Funds	0	0	(805,986)	(805,986)
Cash and Cash Equivalents at End of Year	<u>\$3,128,171</u>	<u>\$200,205</u>	<u>\$50,066</u>	<u>\$3,378,442</u>

(Continued)

THE CITY OF CAMBRIDGE, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Funds	Totals (Memorandum Only)
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$951,445	(\$41,649)	\$750	\$910,546
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Nonoperating Income	12,965	0	0	12,965
Miscellaneous Nonoperating Expense	(247)	0	0	(247)
Depreciation Expense	421,474	0	0	421,474
Interest Income	0	0	(762)	(762)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,520)	68	0	(2,452)
Decrease in Interest Receivable	0	0	12	12
Decrease in Intergovernmental Receivables	0	1,603	0	1,603
Decrease in Inventory	21,034	0	0	21,034
Increase in Accounts Payable	82,919	0	0	82,919
Increase in Intergovernmental Payables	24	0	0	24
Increase in Claims Payable	0	14,627	0	14,627
Decrease in Accrued Wages and Benefits	(18,329)	0	0	(18,329)
Increase in Due to Others (Customer Deposits)	3,058	0	0	3,058
Decrease in Compensated Absences	(3,328)	0	0	(3,328)
Total Adjustments	<u>517,050</u>	<u>16,298</u>	<u>(750)</u>	<u>532,598</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,468,495</u>	<u>(\$25,351)</u>	<u>\$0</u>	<u>\$1,443,144</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1998, the Water and Sewer Fund had outstanding liabilities of \$56,230 and \$4,156 respectively, for the purchase of certain capital assets.

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

THE CITY OF CAMBRIDGE, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998

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.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that 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 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 used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

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 that financed by the proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on a "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 retained 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 of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 - These funds are used to account for assets held by a government unit 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term liabilities of the City except that accounted for in 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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible 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.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and other local taxes (including hotel/motel tax and estate taxes) Other revenues, including licenses, permits, certain charges for services, fines and forfeitures, income taxes other than that withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Property taxes measurable as of December 31, 1998, but are not intended to finance 1998 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 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 appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. 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.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by 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 do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources (Continued)

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

3. Appropriations

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriations ordinance establishes spending controls at the fund, department and object level. The appropriations ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- All Governmental Fund Types and Expendable Trust Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

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

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. 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).

The following table summarizes 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)	\$212,185	\$273,372	\$23,942	(\$50,999)	\$38,121
Increase (Decrease):					
Accrued Revenues at December 31, 1998 received during 1999	(734,812)	(260,266)	0	(6,690)	(13,140)
Accrued Revenues at December 31, 1997 received during 1998	741,365	216,381	0	5,672	10,274
Accrued Expenditures at December 31, 1998 paid during 1999	241,310	241,230	0	27,417	0
Accrued Expenditures at December 31, 1997 paid during 1998	(293,564)	(331,516)	0	(114,700)	0
Perspective Difference:					
Escrow Accounts	0	0	0	112,979	0
Outstanding Encumbrances	(102,919)	(115,677)	0	(31,160)	0
Budget Basis	\$63,565	\$23,524	\$23,942	(\$57,481)	\$35,255

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with original maturities of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it 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 "Pooled Cash, Cash Equivalents and Investments."

F. 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 and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and 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, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 1998. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1998.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by the ultimate use:

1. Property, Plant and Equipment-General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets. The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at appraised historical cost. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	20 - 40
Improvements Other Than Buildings	25 - 65
Machinery, Equipment, Furniture and Fixtures	3 - 20

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

3. 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, 1998, interest cost of \$106,348 was capitalized in connection with funds borrowed from the Ohio Water Development Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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	General Fund, Water Fund, Sewer Fund
OWDA Loans	Sewer Debt Reserve Fund
OPWC Loans	Municipal Motor Vehicle Tax Fund
Compensated Absences	General Fund, Street Fund, Fire Fund Cemetery Fund, Water Fund, Sewer Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

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.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water and sewer enterprise funds when earned, and the related liability is reported within the fund.

K. Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations. There were no residual equity transfers made during 1998.

N. Contributed Capital

Proprietary fund type contributed capital is recorded at fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

O. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, inventories of supplies and encumbered amounts that have not been accrued at year end.

P. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE

A. Implementation of GASB Statement No. 31

During fiscal year 1998, the City implemented GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investments Pools.*” The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation has not required a restatement of fund balance at December 31, 1997.

B. Implementation of GASB Statement No. 32

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets were recorded in the City’s deferred compensation agency fund.

Recent changes to the Internal Revenue Code require Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to January 1, 1999. During 1998, the Ohio Public Employees Deferred Compensation Program implemented a Trust Agreement to hold all Plan assets for the employer, whenever contributed, for the exclusive benefit of participants and their beneficiaries. Accordingly, the City has implemented GASB Statement No. 32, “*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*” which requires that such assets held in trust, not be reflected on the government’s financial statements. Inasmuch as the City no longer has an accounting fiduciary responsibility for the deferred compensation assets, the beginning balance of the agency funds has been restated to show the reduction of \$815,996 representing the balance of deferred compensation at December 31, 1997. The adjustment resulted in the following changes to the agency funds asset/liability balances at December 31, 1997:

Agency Funds:	
Asset/Liability Balance - December 31, 1997 (as reported)	\$1,077,844
Adjustment due to change in accounting principle	(815,996)
Asset/Liability Balance - December 31, 1997 (restated)	<u>\$261,848</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits- The fund deficits at December 31, 1998 of \$40,433 in the Police Pension Fund, \$46,359 in the Fire Pension Fund and \$914 in the Park 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. Deficits do not exist under the budgetary basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Pooled monies held in the State Treasury Asset Reserve (STAR Ohio) are included as cash and cash equivalents for financial statement reporting purposes. However, these monies are classified as investments for footnote disclosure purposes. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying value of the City's deposits was \$5,478,910 and the bank balance was \$5,628,394. Of the bank balance, \$400,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 1998 were as follows:

Non-Categorized Investments	Fair Value
STAR Ohio	\$820,528

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$6,299,438	\$0
Investments:		
STAR Ohio	(820,528)	820,528
Per GASB Statement No. 3	<u>\$5,478,910</u>	<u>\$820,528</u>

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 1998 were levied after October 1, 1997 on assessed values as of January 1, 1997, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 1997. Real property taxes are payable annually or semiannually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semiannually: the first payment is due April 30; the remainder is payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Cambridge. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1998 was \$14.00 per \$1,000 of assessed value. The assessed value upon which the 1998 tax receipts were based was \$122,911,110. This amount constitutes \$81,849,990 in real property assessed value, \$10,401,930 in public utility assessed value and \$25,156,760 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.

B. Income Tax

The City levies a tax of 1.2% 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 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.

NOTE 6 - RECEIVABLES

Receivables at December 31, 1998, consisted of taxes, accounts receivable, loans, interest and intergovernmental receivables arising from shared revenues.

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 1998:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$312,303
Special Revenue Funds:		
Fire Protection Fund	0	168,337
Cemetery Fund	60,000	0
Street Fund	0	0
Police Pension Fund	145,270	0
Edward Byrne Memorial Grant Fund	1,250	0
Fire Pension Fund	168,337	0
Municipal Airport Fund	80,783	0
Tree Fund	5,000	0
FEMA Fund	0	577,585
Total Special Revenue Funds	460,640	745,922
Capital Projects Fund:		
Capital Project Issue II Fund	25,000	0
Expendable Trust Funds		
Cemetery Endowment Trust Fund	0	5,000
Enterprise Funds:		
Sewer Fund	512,057	0
Water Fund	65,528	0
Total Enterprise Funds	577,585	0
Total All Funds	\$1,063,225	\$1,063,225

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	December 31, 1997	Additions	Deletions	December 31, 1998
Land	\$470,269	\$0	\$0	\$470,269
Buildings	2,204,311	1,055	0	2,205,366
Improvements Other Than Buildings	1,668,397	0	0	1,668,397
Machinery and Equipment	2,894,429	302,873	(39,309)	3,157,993
Construction in Progress	0	6,626	0	6,626
Totals	\$7,237,406	\$310,554	(\$39,309)	\$7,508,651

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 8 - FIXED ASSETS (Continued)

B. Proprietary Fixed Assets

Summary by Category at December 31, 1998:

<u>Category</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$222,088	\$0	\$222,088
Buildings	9,245,558	(2,187,783)	7,057,775
Improvements Other Than Buildings	13,463,084	(4,716,004)	8,747,080
Machinery and Equipment	1,096,324	(798,532)	297,792
Total	<u>\$24,027,054</u>	<u>(\$7,702,319)</u>	<u>\$16,324,735</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1998 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1998, 1997 and 1996 were \$402,243, \$383,916 and \$352,618, respectively, which were equal to the required contributions for each year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The PERS of Ohio provides postemployment 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. A portion of each employer's contribution to the 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 postemployment health care through their contributions to the PERS of Ohio. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.2% of covered payroll which amounted to \$124,680.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio)

All City full-time police officers and full-time firefighters participate in the Police and Firemen's Disability and Pension Fund of Ohio (the "PFDPF System of Ohio"), a cost-sharing multiple-employer defined benefit pension plan. The PFDPF System of Ohio provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Police and Firemen's Disability and Pension Fund of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PFDPF System of Ohio. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the PFDPF System of Ohio for the years ending December 31, 1998, 1997 and 1996 were \$170,992, \$163,565 and \$156,503 for police and \$193,405, \$171,630 and \$173,439 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio) (Continued)

The PFDPF System of Ohio 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 Police and Firemen's Disability and Pension 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 PFDPF System of Ohio.

The portion of the 1998 covered payroll that was used to fund postemployment health care benefits was \$56,997 representing 6.50% of covered payroll for police and \$52,381 representing 6.50% of covered payroll for fire. Health care funding and accounting were 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, 1997, the number of participants eligible to receive health care benefits was 11,239 for police and 9,205 for firefighters. The PFDPF System of Ohio 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, 1997 were \$76,459,832.

NOTE 10 – COMPENSATED ABSENCES

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon separation from the City an employee with service of five years or more with the City receives a lump sum settlement for all unused sick leave at the rate of one-half of all unused sick leave or a maximum of 60 days or 480 hours. The monetary compensation is at the hourly rate of compensation of the employee at the time of resignation if the employee is not given credit at his next place of employment.

At December 31, 1998 the total liability for accumulated unpaid sick leave time and unpaid compensatory time recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	45,922	\$316,170
Compensatory Time	119	1,630
Total	<u>46,041</u>	<u>\$317,800</u>

In addition, the accrued liability for accumulated unpaid sick leave time recorded in the enterprise funds decreased \$3,328 from a beginning year balance of \$131,674 to an ending year balance of \$128,346.

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 11 - CAPITAL LEASES

The City is obligated under two leases for cemetery mowers and water department mowers. Both leases are accounted for as capital leases. The cost of the equipment obtained under capital leases is included in the appropriate proprietary fund or the General Fixed Assets Account Group and the related liability is included in the appropriate proprietary fund or the General Long-Term Obligations Account Group.

The following is a schedule of the future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 1998.

Year Ending December 31,	Enterprise Funds	General Long-Term Obligations Account Group	Totals
1999	\$12,181	\$5,063	\$17,244
2000	12,181	5,063	17,244
2001	12,181	0	12,181
2002	3,045	0	3,045
Minimum Lease Payments	39,588	10,126	49,714
Less amount representing interest at the City's incremental borrowing rate of interest	(4,132)	(709)	(4,841)
Present value of minimum lease payments	<u>\$35,456</u>	<u>\$9,417</u>	<u>\$44,873</u>

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THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 12 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 1998 were as follows:

		Balance December 31, 1997	Issued (Retired)	Balance December 31, 1998
Enterprise Funds Long-Term Debt:				
Mortgage Revenue Bond:				
Waterworks Improvement	1995 - 2015	\$3,247,499	(\$115,000)	
			6,587	\$3,139,086
Total Mortgage Revenue Bond		3,247,499	(108,413)	3,139,086
Special Assessment Bonds:				
Waterline Improvement	1997 - 2017	51,268	(1,297)	
			51	50,022
Sewerline Improvement	1997 - 2017	146,434	(3,703)	
			146	142,877
Total Special Assessment Bonds		197,702	(4,803)	192,899
OWDA Loans:				
Water Pollution Improvement	2011	3,806,659	(214,051)	3,592,608
Water Pollution Improvement	2019	2,489,925	1,361,333	3,851,258
Total OWDA Loans		6,296,584	1,147,282	7,443,866
Total Enterprise Funds Long-Term Debt		9,741,785	1,034,066	10,775,851
Other Enterprise Long-Term Obligations:				
Capital Leases		44,895	(9,439)	35,456
Total Enterprise Funds Long-Term Debt and Other Enterprise Long-Term Obligations		\$9,786,680	\$1,024,627	\$10,811,307
General Long-Term Debt:				
General Obligation Bonds:				
Recreational Facility Bonds	2004	\$1,085,000	(\$130,000)	\$955,000
Ohio Public Works Commission Loans:				
Various Street Paving '92	1998	2,772	(2,772)	0
Street Paving '93B	2004	20,020	(3,080)	16,940
Various Street Resurfacing	2004	10,408	(1,736)	8,672
Street Project '98	2004	0	9,986	9,986
Street Project '94	2005	10,719	(1,430)	9,289
Street Project '95	2006	22,352	(2,794)	19,558
Total Ohio Public Works Commission Loans		66,271	(1,826)	64,445
Total General Long-Term Debt		1,151,271	(131,826)	1,019,445
Other Long-Term Obligations:				
Compensated Absences		314,997	2,803	317,800
Capital Leases		13,536	(4,119)	9,417
Accrued Pension Liability		592,483	(6,642)	585,841
Total Other Long-Term Obligations		921,016	(7,958)	913,058
Total General Long-Term Debt and Other Long-Term Obligations		\$2,072,287	(\$139,784)	\$1,932,503

The principal amount of the City's special assessment debt outstanding at December 31, 1998, \$192,899, 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.

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 1998 follows:

Years	General Obligation Bond		Mortgage Revenue Bond		OWDA Loans		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$140,000	\$51,236	\$113,660	\$172,375	\$353,138	\$331,162	\$4,808	\$10,768
2000	145,000	44,096	118,918	166,495	369,756	314,544	4,814	10,540
2001	155,000	36,556	129,196	160,245	387,166	297,135	4,818	10,305
2002	165,000	28,340	134,484	153,360	405,402	278,899	4,823	10,065
2003	170,000	19,430	144,793	146,150	424,506	259,795	9,833	9,820
2004-2008	180,000	10,080	839,099	604,613	2,442,481	979,020	49,318	41,450
2009-2013	0	0	1,114,513	342,100	1,793,686	422,594	54,576	27,550
2014-2035	0	0	544,423	45,375	1,267,731	145,067	59,909	8,700
Totals	\$955,000	\$189,738	\$3,139,086	\$1,790,713	\$7,443,866	\$3,028,216	\$192,899	\$129,198

Years	OPWC Loans		Police/Fire Accrued Pension Liability		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$11,035	\$0	\$6,927	\$24,825	\$14,595	\$2,649	\$644,163	\$593,015
2000	11,035	0	7,224	24,528	15,716	1,529	672,463	561,732
2001	11,035	0	7,535	24,217	11,550	630	706,300	529,088
2002	11,035	0	7,858	23,894	3,012	32	731,614	494,590
2003	11,035	0	8,196	23,556	0	0	768,363	458,751
2004-2008	9,270	0	46,573	112,189	0	0	3,566,741	1,747,352
2009-2013	0	0	57,476	101,290	0	0	3,020,251	893,534
2014-2035	0	0	444,052	238,200	0	0	2,316,115	437,342
Totals	\$64,445	\$0	\$585,841	\$572,699	\$44,873	\$4,840	\$12,426,010	\$5,715,404

A. Police 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, 1998 was \$1,158,540 in principal and interest payments through the year 2035. Only the principal amount of \$585,841 is included in the General Long-Term Obligations Account Group.

B. 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.

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

B. Revenue Bond Covenants (Continued)

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 13 - INSURANCE AND RISK MANAGEMENT

A. Self Insurance

The City maintains a self-funded health insurance program with claims processed by Harrington, 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 \$35,000 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 nine 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. The reserve was \$103,022 at December 31, 1998 and is reported as a reserve of the Self Insurance Fund balance. Total contributions to the program during the year were \$449,447. The claims liability of \$98,557 reported in the Self Insurance Fund at December 31, 1998 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 1997 and 1998 were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
1997	\$26,845	\$275,738	(\$218,721)	\$83,862
1998	83,930			98,557
Less: Reimbursements Receivable	(68)			0
1998 Net of Reimbursements	\$83,862	\$297,589	(\$282,894)	\$98,557

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Other Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City of Cambridge is a participant in the Ohio Municipal League Joint Self-Insurance Pool (the "Pool"). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool as well as current members are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there has been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

The City of Cambridge obtained insurance coverage from the Pool for years 1997 - 1998 for losses related to liability, property, and automobile.

The City of Cambridge carried commercial (or maintained self-insurance) insurance coverage for the years 1997 - 1998 for all other risks and pays unemployment claims to the State of Ohio as incurred. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to build the Pool's retained earning account to fund the activities of the Pool. During 1998, the City of Cambridge made contributions to the Pool totaling \$93,521.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements are placed by a subsidiary of the Pool operator and limit the maximum net loss on individual risks.

Treaty basis casualty excess of loss contracts in force at December 31, 1998 generally protect the Pool against individual losses over \$150,000 (\$200,000 from November 1, 1992 to October 31, 1993).

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of \$50,000 beginning November 1, 1994. Previously the deductible was lesser of \$50,000 per location or \$100,000 per occurrence. Since November 1, 1990, the Pool is limited to an annual aggregate loss of \$300,000 (\$150,000 prior to November 1, 1990) under this treaty.

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Other Insurance (Continued)

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

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.

The City pays unemployment claims to the State of Ohio as incurred.

NOTE 14 - CONTRIBUTED CAPITAL

A schedule of changes in contributed capital is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Balance at Beginning of Year	\$1,855,194	\$2,974,328	\$4,829,522
Additions:			
Contributions by Other Governments	71,100	0	71,100
Balance at End of Year	<u>\$1,926,294</u>	<u>\$2,974,328</u>	<u>\$4,900,622</u>

NOTE 15 - 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, 1998 for these enterprise activities is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues	\$2,094,611	\$1,834,132	\$3,928,743
Depreciation	222,335	199,139	421,474
Operating Income	416,556	534,889	951,445
Operating Transfers In	65,528	512,057	577,585
Net Income	200,630	849,811	1,050,441
Property, Plant and Equipment:			
Additions	1,682,913	512,016	2,194,929
Deletions	23,729	26,342	50,071
Assets	11,108,457	9,274,195	20,382,652
Net Working Capital	1,897,219	1,155,953	3,053,172
Loans and Bonds Payable	7,040,366	3,735,485	10,775,851
Total Equity	3,689,507	5,306,567	8,996,074

THE CITY OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 16 - 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 percent. 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 1998 the City contributed \$3,925 to S.E.N.T. which represents 6.80% of total contributions.

NOTE 17 - CONSTRUCTION COMMITMENTS

As of December 31, 1998, 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>
Repairs of Flood Damaged Electrical System	\$130,447	2/99
Repairs of Flood Damaged Sanitary Sewer	22,500	2/99
Construction Management at the Water Treatment Plant	11,012	3/99
Water Distribution System Analysis	2,680	3/99
Engineering Services for Design of Water Plant	35,368	3/99
Total	<u>\$202,007</u>	

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 bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 1998, there were two series of Revenue Bonds outstanding, with a principal amount payable of \$20,295,000.

NOTE 19 - CONTINGENCIES

The City is a 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 OF CAMBRIDGE, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 20 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The City has completed an inventory of computer systems and other equipment necessary to conducting City operations and has completed remediation, testing and validation as follows:

Accounting and Financial Reporting Systems, Payroll and Related Benefits, and Billing and Collection Systems for Utilities, Taxes and Other Revenue Sources. The City has completed all testing and validation on the accounting and financial reporting systems, payroll and related benefits and billing and collection systems for utilities, taxes, and other revenue sources. The City currently uses Creative Microsystems, Inc. (CMI) software applications functioning with the Pick Relational Database. CMI believes this software is year 2000 compliant. The City will be implementing new software packages developed by CMI, in 1999. CMI believes that these new packages are also year 2000 compliant.

Public Works (Utilities) Systems. The City has completed all testing and validation on the Public Works Systems.

Traffic Control System. The City has completed all testing and validation on the traffic control system.

Office Buildings/Administration System. The City has completed all testing and validation on systems used for building operations. This included heating, air conditioning and security systems.

The City has also identified the following systems and equipment that relate to external entities requiring year 2000 remediation:

911 Police and Fire Emergency Reporting System. All the dispatching in Guernsey County is done from one central location. The County is currently remediating the dispatch system. Validation and testing of the system has not yet been completed, but should be by July 1, 1999.

Entities that Make Material Intergovernmental Payments to the City. The State of Ohio and Guernsey County make material intergovernmental payments to the City. Both are responsible for remediating their systems.

Service Organizations. Ohio Municipal League Joint Self-Insurance (OMLJS) the City's joint insurance pool is significant to conducting critical operations. OMLJS is responsible for remediating it's system.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	98-VADSCE-029	16.575	\$8,944
	99-VAGENE-029	16.575	4,969
Total Victims of Crime Act			13,913
<i>Passed Through Office of Criminal Justice Services:</i>			
Drug Control and System Improvement Act	96-DG-A01-7195	16.579	32,649
	97-DG-A01-7195	16.579	51,438
Total Drug Control and System Improvement Act			84,087
Edward Byrne Memorial State and Local Law Enforcement Assistance Program	97-DG-D02-7178	16.580	3,750
	97-DG-D02-7178 *	16.580	23,746
Total Edward Byrne Memorial State and Local Law Enforcement Assistance Program			27,496
<i>Direct Programs:</i>			
Community Oriented Policing Services (COPS)	95CFWX1866	16.710	92,112
COPS More	96CMWX0703	16.710	350
Total Community Oriented Policing Services (COPS)			92,462
Total U.S. Department of Justice			217,958
<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-96-100-1	14.228	79,000
	A-F-97-100-1	14.228	45,170
Total Small Cities Program			124,170
Appalachian Supplements to Federal Grant In Aid	A-P-97-100-1	23.002	71,047
Total Community Development Block Grant			195,217
Home Investment Partnership Program Housing Improvement Program	A-C-97-100-1	14.239	88,821
Total U.S. Department of Housing and Urban Development			284,038
<u>U.S. Department of Federal Emergency Management Agency</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Disaster Assistance Grant	12277-DR-059-10996	83.544	602,237
Total U.S. Department of Federal Emergency Management Agency			602,237
Total Federal Awards Receipts and Expenditures			<u>\$1,104,233</u>

*- Passed through City to Cambridge MHA

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK 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, passes 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, 1998, the gross amount of loans outstanding under this program was \$74,157 and is exhibited on the Combined Balance Sheet in the Special Revenue Fund Type as 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.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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, 1998, and have issued our report thereon dated November 8, 1999, in which we noted that the City changed its method of accounting for investments and deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 November 8, 1999.

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 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 November 8, 1999.

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

This report is intended for the information and use of management, 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, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro
Auditor of State

November 8, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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 program for the year ended December 31, 1998. The City's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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.

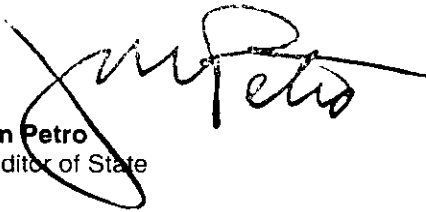
In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998. We noted a certain immaterial instance of noncompliance, that did not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 8, 1999.

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.

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



Jim Petro
Auditor of State
November 8, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

DECEMBER 31, 1998

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)(iii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(v)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(vi)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(vii)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(viii)	Are there any reportable findings under § .510?	No
(d)(1)(ix)	Major Programs (list):	Disaster Assistance Grant CFDA #83.544
(d)(1)(x)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(xi)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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**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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: JAN 06 2000