



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF CAMBRIDGE
GUERNSEY COUNTY

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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, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cambridge, Guernsey County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the City adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Jim Petro
Auditor of State

August 30, 2002

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THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Funds	Funds	Funds	Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$617,698	\$1,823,753	\$316,206	\$247,973
Receivables (net of allowance for doubtful accounts):				
Taxes	879,884	1,221,326	171,786	0
Accounts	30,049	0	0	0
Revolving Loans	0	17,393	0	0
Interest	17,887	761	0	0
Due from Other Funds	44,554	15,936	0	7,652
Intergovernmental Receivables	413,495	2,265,261	21,126	1,284,054
Inventory of Supplies at Cost	0	17,625	0	0
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
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	<u>\$2,003,567</u>	<u>\$5,362,055</u>	<u>\$509,118</u>	<u>\$1,539,679</u>

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

<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	
\$3,705,759	\$8,460	\$1,068,678	\$0	\$0	\$7,788,527
0	0	0	0	0	2,272,996
718,033	52,941	0	0	0	801,023
0	0	0	0	0	17,393
167	91	1,510	0	0	20,416
0	0	4,328	0	0	72,470
0	0	0	0	0	3,983,936
12,575	0	0	0	0	30,200
71,163	0	0	0	0	71,163
510,599	0	0	0	0	510,599
16,866,508	0	0	7,959,692	0	24,826,200
0	0	0	0	316,206	316,206
0	0	0	0	1,497,147	1,497,147
<u>\$21,884,804</u>	<u>\$61,492</u>	<u>\$1,074,516</u>	<u>\$7,959,692</u>	<u>\$1,813,353</u>	<u>\$42,208,276</u>

(Continued)

THE CITY OF CAMBRIDGE, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$112,950	\$17,409	\$0	\$372,202
Accrued Wages and Benefits	196,550	207,122	0	1,810
Due to Others	0	0	0	0
Due to Other Funds	0	0	0	0
Accrued Interest Payable	0	0	0	0
Claims Payable	0	0	0	0
Deferred Revenue	557,374	3,092,776	192,912	804,026
Compensated Absences Payable	10,330	1,847	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 Loans Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Total Liabilities	877,204	3,319,154	192,912	1,178,038
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	41,090	53,903	0	543,925
Reserved for Supplies Inventory	0	17,625	0	0
Reserved for Debt Service	0	0	316,206	0
Reserved for Revolving Loan	0	17,393	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	1,085,273	1,953,980	0	(182,284)
Total Equity and Other Credits	1,126,363	2,042,901	316,206	361,641
Total Liabilities, Equity and Other Credits	\$2,003,567	\$5,362,055	\$509,118	\$1,539,679

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, 2001

<i>Proprietary Fund Types</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>			<i>Totals (Memorandum Only)</i>
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$123,292	\$0	\$0	\$0	\$0	\$625,853
94,159	0	0	0	0	499,641
114,473	0	124,491	0	0	238,964
0	0	72,470	0	0	72,470
13,619	0	0	0	0	13,619
0	140,761	0	0	0	140,761
0	0	0	0	0	4,647,088
115,228	0	0	0	535,931	663,336
3,011	0	0	0	148,959	151,970
0	0	0	0	564,154	564,154
0	0	0	0	515,000	515,000
178,459	0	0	0	0	178,459
161,947	0	0	0	49,309	211,256
6,281,800	0	0	0	0	6,281,800
2,777,312	0	0	0	0	2,777,312
9,863,300	140,761	196,961	0	1,813,353	17,581,683
0	0	0	7,959,692	0	7,959,692
5,129,168	0	0	0	0	5,129,168
510,599	0	0	0	0	510,599
6,381,737	(79,269)	0	0	0	6,302,468
0	0	0	0	0	638,918
0	0	0	0	0	17,625
0	0	0	0	0	316,206
0	0	0	0	0	17,393
0	0	45,300	0	0	45,300
0	0	832,255	0	0	3,689,224
12,021,504	(79,269)	877,555	7,959,692	0	24,626,593
<u>\$21,884,804</u>	<u>\$61,492</u>	<u>\$1,074,516</u>	<u>\$7,959,692</u>	<u>\$1,813,353</u>	<u>\$42,208,276</u>

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, 2001

	<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	\$2,994,239	\$1,526,483	\$241,211	\$0	\$0	\$4,761,933
Intergovernmental Revenues	983,494	1,471,513	23,546	1,195,973	0	3,674,526
Charges for Services	4,680	410,840	0	0	0	415,520
Licenses and Permits	6,590	0	0	0	0	6,590
Investment Earnings	273,672	20,906	0	0	33,828	328,406
Special Assessments	0	0	52,693	0	0	52,693
Fines and Forfeitures	633,449	245,694	0	117,360	87,187	1,083,690
All Other Revenues	218,882	95,057	0	0	0	313,939
Total Revenues	<u>5,115,006</u>	<u>3,770,493</u>	<u>317,450</u>	<u>1,313,333</u>	<u>121,015</u>	<u>10,637,297</u>
Expenditures:						
Current:						
Security of Persons and Property	1,565,365	1,870,669	0	0	0	3,436,034
Public Health and Welfare	0	232,152	0	0	0	232,152
Leisure Time Activities	428,156	226,433	0	0	0	654,589
Community Environment	23,992	747,137	0	0	0	771,129
Transportation	189,465	825,788	0	0	0	1,015,253
General Government	2,632,931	152,439	0	0	0	2,785,370
Other Expenditures	0	0	0	0	88,670	88,670
Capital Outlay	0	0	0	1,070,437	0	1,070,437
Debt Service:						
Principal Retirement	0	63,564	155,000	0	0	218,564
Interest and Fiscal Charges	0	35,164	36,555	0	0	71,719
Total Expenditures	<u>4,839,909</u>	<u>4,153,346</u>	<u>191,555</u>	<u>1,070,437</u>	<u>88,670</u>	<u>10,343,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	275,097	(382,853)	125,895	242,896	32,345	293,380
Other Financing Sources (Uses):						
Operating Transfers In	0	594,015	0	0	0	594,015
Operating Transfers Out	(345,000)	(184,365)	(15,305)	0	(64,650)	(609,320)
Other Financing Sources	0	245,156	0	0	0	245,156
Other Financing Sources - Capital Leases	0	195,217	0	0	0	195,217
Other Financing Uses	0	0	0	0	(1,145)	(1,145)
Total Other Financing Sources (Uses)	<u>(345,000)</u>	<u>850,023</u>	<u>(15,305)</u>	<u>0</u>	<u>(65,795)</u>	<u>423,923</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(69,903)	467,170	110,590	242,896	(33,450)	717,303
Restated Fund Balance Beginning of Year	1,196,266	1,565,356	205,616	118,745	865,705	3,951,688
Increase in Inventory Reserve	0	10,375	0	0	0	10,375
Fund Balance End of Year	<u>\$1,126,363</u>	<u>\$2,042,901</u>	<u>\$316,206</u>	<u>\$361,641</u>	<u>\$832,255</u>	<u>\$4,679,366</u>

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, 2001

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,763,077	\$2,915,690	\$152,613	\$1,500,091	\$1,517,419	\$17,328
Intergovernmental Revenues	822,937	953,569	130,632	1,849,049	1,290,407	(558,642)
Charges for Services	5,000	4,060	(940)	413,070	410,840	(2,230)
Licenses and Permits	4,400	6,535	2,135	0	0	0
Investment Earnings	240,000	277,118	37,118	15,050	21,264	6,214
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	640,000	627,994	(12,006)	393,300	244,761	(148,539)
All Other Revenues	174,160	217,408	43,248	123,245	95,846	(27,399)
Total Revenues	4,649,574	5,002,374	352,800	4,293,805	3,580,537	(713,268)
Expenditures:						
Current:						
Security of Persons and Property	1,622,364	1,571,431	50,933	1,952,655	1,716,096	236,559
Public Health and Welfare	0	0	0	254,660	248,545	6,115
Leisure Time Activities	436,290	420,914	15,376	257,305	232,145	25,160
Community Environment	43,394	24,011	19,383	1,384,046	792,455	591,591
Transportation	205,253	183,324	21,929	994,366	882,945	111,421
General Government	2,947,534	2,677,208	270,326	772,906	174,672	598,234
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	63,564	63,564	0
Interest and Fiscal Charges	0	0	0	35,164	35,164	0
Total Expenditures	5,254,835	4,876,888	377,947	5,714,666	4,145,586	1,569,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(605,261)	125,486	730,747	(1,420,861)	(565,049)	855,812
Other Financing Sources (Uses):						
Operating Transfers In	200,000	0	(200,000)	653,150	594,015	(59,135)
Operating Transfers Out	(345,000)	(345,000)	0	(184,365)	(184,365)	0
Other Financing Sources	0	0	0	460,212	245,156	(215,056)
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(145,000)	(345,000)	(200,000)	928,997	654,806	(274,191)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(750,261)	(219,514)	530,747	(491,864)	89,757	581,621
Fund Balance at Beginning of Year	666,563	666,563	0	1,502,873	1,502,873	0
Prior Year Encumbrances	37,850	37,850	0	164,366	164,366	0
Fund Balance at End of Year	(\$45,848)	\$484,899	\$530,747	\$1,175,375	\$1,756,996	\$581,621

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

(Continued)

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, 2001

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$242,772	\$241,211	(\$1,561)	\$0	\$0	\$0
Intergovernmental Revenues	0	23,546	23,546	2,000,000	715,945	(1,284,055)
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	52,617	52,693	76	0	0	0
Fines and Forfeitures	0	0	0	135,000	117,644	(17,356)
All Other Revenues	0	0	0	0	0	0
Total Revenues	295,389	317,450	22,061	2,135,000	833,589	(1,301,411)
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	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	2,136,949	1,341,356	795,593
Debt Service:						
Principal Retirement	155,000	155,000	0	0	0	0
Interest and Fiscal Charges	137,682	36,555	101,127	0	0	0
Total Expenditures	292,682	191,555	101,127	2,136,949	1,341,356	795,593
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,707	125,895	123,188	(1,949)	(507,767)	(505,818)
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(15,305)	(15,305)	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)	(15,305)	(15,305)	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12,598)	110,590	123,188	(1,949)	(507,767)	(505,818)
Fund Balance at Beginning of Year	205,616	205,616	0	109,647	109,647	0
Prior Year Encumbrances	0	0	0	1,949	1,949	0
Fund Balance at End of Year	\$193,018	\$316,206	\$123,188	\$109,647	(\$396,171)	(\$505,818)

(Continued)

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, 2001

	<u>Expendable Trust Funds</u>			<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$4,505,940	\$4,674,320	\$168,380
Intergovernmental Revenues	0	0	0	4,671,986	2,983,467	(1,688,519)
Charges for Services	0	0	0	418,070	414,900	(3,170)
Licenses and Permits	0	0	0	4,400	6,535	2,135
Investment Earnings	88,740	36,910	(51,830)	343,790	335,292	(8,498)
Special Assessments	0	0	0	52,617	52,693	76
Fines and Forfeitures	120,000	88,670	(31,330)	1,288,300	1,079,069	(209,231)
All Other Revenues	0	0	0	297,405	313,254	15,849
Total Revenues	208,740	125,580	(83,160)	11,582,508	9,859,530	(1,722,978)
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	3,575,019	3,287,527	287,492
Public Health and Welfare	0	0	0	254,660	248,545	6,115
Leisure Time Activities	0	0	0	693,595	653,059	40,536
Community Environment	0	0	0	1,427,440	816,466	610,974
Transportation	0	0	0	1,199,619	1,066,269	133,350
General Government	0	0	0	3,720,440	2,851,880	868,560
Other Expenditures	110,000	88,670	21,330	110,000	88,670	21,330
Capital Outlay	0	0	0	2,136,949	1,341,356	795,593
Debt Service:						
Principal Retirement	0	0	0	218,564	218,564	0
Interest and Fiscal Charges	0	0	0	172,846	71,719	101,127
Total Expenditures	110,000	88,670	21,330	13,509,132	10,644,055	2,865,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,740	36,910	(61,830)	(1,926,624)	(784,525)	1,142,099
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	853,150	594,015	(259,135)
Operating Transfers Out	(69,650)	(64,650)	5,000	(614,320)	(609,320)	5,000
Other Financing Sources	0	0	0	460,212	245,156	(215,056)
Other Financing Uses	(20,150)	(1,145)	19,005	(20,150)	(1,145)	19,005
Total Other Financing Sources (Uses)	(89,800)	(65,795)	24,005	678,892	228,706	(450,186)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,940	(28,885)	(37,825)	(1,247,732)	(555,819)	691,913
Fund Balance at Beginning of Year	855,327	855,327	0	3,340,026	3,340,026	0
Prior Year Encumbrances	0	0	0	204,165	204,165	0
Fund Balance at End of Year	\$864,267	\$826,442	(\$37,825)	\$2,296,459	\$2,988,372	\$691,913

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, 2001

	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Funds	Totals (Memorandum Only)
<u>Operating Revenues:</u>				
Charges for Services	\$4,372,608	\$800,275	\$0	\$5,172,883
Investment Earnings	0	0	879	879
Other Operating Revenues	0	251,408	0	251,408
Total Operating Revenues	<u>4,372,608</u>	<u>1,051,683</u>	<u>879</u>	<u>5,425,170</u>
<u>Operating Expenses:</u>				
Personal Services	1,196,278	0	0	1,196,278
Materials and Supplies	180,147	0	0	180,147
Contractual Services	748,599	231,135	0	979,734
Health Insurance Claims	0	964,231	0	964,231
Utilities	324,444	0	0	324,444
Depreciation	551,239	0	0	551,239
Other Expenses	20,792	0	0	20,792
Total Operating Expenses	<u>3,021,499</u>	<u>1,195,366</u>	<u>0</u>	<u>4,216,865</u>
Operating Income (Loss)	1,351,109	(143,683)	879	1,208,305
<u>Nonoperating Revenues (Expenses):</u>				
Investment Earnings	19,705	1,173	0	20,878
Interest and Fiscal Charges	(414,338)	0	0	(414,338)
Intergovernmental Grants	221,454	0	0	221,454
Loss on Disposal of Fixed Assets	(1,011)	0	0	(1,011)
Other Nonoperating Revenue	5,134	0	0	5,134
Other Nonoperating Expense	0	0	(20)	(20)
Total Nonoperating Revenues (Expenses)	<u>(169,056)</u>	<u>1,173</u>	<u>(20)</u>	<u>(167,903)</u>
Income (Loss) Before Operating Transfers	1,182,053	(142,510)	859	1,040,402
<u>Operating Transfers:</u>				
Operating Transfers In	15,305	0	0	15,305
Total Operating Transfers	<u>15,305</u>	<u>0</u>	<u>0</u>	<u>15,305</u>
Net Income (Loss)	1,197,358	(142,510)	859	1,055,707
Restated Retained Earnings/Fund Balance at Beginning of Year	5,694,978	63,241	44,441	5,802,660
Retained Earnings (Accumulated Deficit) / Fund Balance at End of Year	<u>\$6,892,336</u>	<u>(\$79,269)</u>	<u>\$45,300</u>	<u>\$6,858,367</u>

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, 2001

	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Funds	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,350,391	\$0	\$0	\$4,350,391
Cash Received from Quasi-External Transactions	0	800,275	0	800,275
Cash Received for Stop Loss Reimbursement	0	238,716	0	238,716
Cash Payments for Goods and Services	(1,330,716)	(231,135)	(20)	(1,561,871)
Cash Payments to Employees	(1,231,967)	0	0	(1,231,967)
Cash Payments for Claims	0	(960,244)	0	(960,244)
Net Cash Provided (Used) by Operating Activities	<u>1,787,708</u>	<u>(152,388)</u>	<u>(20)</u>	<u>1,635,300</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Intergovernmental Grants	350,000	0	0	350,000
Transfers In from Other Funds	15,305	0	0	15,305
Net Cash Provided by Noncapital Financing Activities	<u>365,305</u>	<u>0</u>	<u>0</u>	<u>365,305</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(1,877,757)	0	0	(1,877,757)
Principal Paid on Capital Lease Payable	(11,551)	0	0	(11,551)
Principal Paid on Ohio Water Development Authority Loans	(446,645)	0	0	(446,645)
Proceeds from Ohio Public Works Commission Loan	161,947	0	0	161,947
Principal Paid on Special Assessment Bonds	(5,000)	0	0	(5,000)
Principal Paid on Revenue Bonds	(135,000)	0	0	(135,000)
Interest Paid on All Debt	(379,388)	0	0	(379,388)
Net Cash Used for Capital and Related Financing Activities	<u>(2,693,394)</u>	<u>0</u>	<u>0</u>	<u>(2,693,394)</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	503	1,493	977	2,973
Net Cash Provided by Investing Activities	<u>503</u>	<u>1,493</u>	<u>977</u>	<u>2,973</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(539,878)	(150,895)	957	(689,816)
Restated Cash and Cash Equivalents at Beginning of Year	4,756,236	159,355	44,318	4,959,909
Cash and Cash Equivalents at End of Year	<u>\$4,216,358</u>	<u>\$8,460</u>	<u>\$45,275</u>	<u>\$4,270,093</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$3,705,759	\$8,460	\$1,068,678	\$4,782,897
Restricted Cash and Cash Equivalents	510,599	0	0	510,599
Less: Cash and Cash Equivalents in Agency Funds	0	0	(196,961)	(196,961)
Less: Cash and Cash Equivalents in Expendable Trust Funds	0	0	(826,442)	(826,442)
Cash and Cash Equivalents at End of Year	<u>\$4,216,358</u>	<u>\$8,460</u>	<u>\$45,275</u>	<u>\$4,270,093</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, 2001

	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)	\$1,351,109	(\$143,683)	\$879	\$1,208,305
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Nonoperating Income	5,134	0	0	5,134
Miscellaneous Nonoperating Expense	0	0	(20)	(20)
Depreciation Expense	551,239	0	0	551,239
Interest Income	0	0	(977)	(977)
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(69,692)	(52,941)	0	(122,633)
Decrease in Interest Receivable	0	0	98	98
Decrease in Intergovernmental Receivable	0	40,249	0	40,249
Decrease in Inventory	5,061	0	0	5,061
Decrease in Accounts Payable	(31,036)	0	0	(31,036)
Increase in Claims Payable	0	3,987	0	3,987
Decrease in Accrued Wages and Benefits	(6,302)	0	0	(6,302)
Increase in Due to Others (Customer Deposits)	1,145	0	0	1,145
Decrease in Compensated Absences	(18,950)	0	0	(18,950)
Total Adjustments	<u>436,599</u>	<u>(8,705)</u>	<u>(899)</u>	<u>426,995</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,787,708</u>	<u>(\$152,388)</u>	<u>(\$20)</u>	<u>\$1,635,300</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2001, the Water and Sewer Funds had outstanding liabilities of \$18,703 and \$46,307, respectively for the purchase of 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, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Related Organizations

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

Cambridge Metropolitan Housing Authority – The Cambridge Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to state statutes. The Authority is operated by a five member board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Two members are appointed by the Mayor of Cambridge, one member is appointed by the common pleas court judge, and one member is appointed by the Guernsey County Commissioners. The City is not financially accountable for the Authority.

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

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

B. Basis of Presentation - Fund Accounting

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

Governmental Funds - Governmental funds are those 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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means 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.

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

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

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, 2001, but are not intended to finance 2001 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 2001.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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)	(\$69,903)	\$467,170	\$110,590	\$242,896	(\$33,450)
Increase (Decrease):					
Accrued Revenues at December 31, 2001 received during 2002	(828,495)	(427,352)	0	(487,680)	(5,813)
Accrued Revenues at December 31, 2000 received during 2001	715,863	237,396	0	7,936	10,378
Accrued Expenditures at December 31, 2001 paid during 2002	319,830	226,378	0	374,012	0
Accrued Expenditures at December 31, 2000 paid during 2001	(224,010)	(347,078)	0	(787)	0
Outstanding Encumbrances	(132,799)	(66,757)	0	(644,144)	0
Budget Basis	<u>(\$219,514)</u>	<u>\$89,757</u>	<u>\$110,590</u>	<u>(\$507,767)</u>	<u>(\$28,885)</u>

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 (STAROhio) and short-term certificates of deposit with original maturities of three months or less. The STAROhio is considered an investment for purposes of GASB Statement No. 3, but 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 "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 (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 STAROhio during 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

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. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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.

Public domain (infrastructure) 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, 2001, no interest cost 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	Cemetery Fund, Water Fund, Fire Fund
OWDA Loans	Sewer Debt Reserve Fund, Water Fund
OPWC Loans	Municipal Motor Vehicle Tax Fund
Compensated Absences	General Fund, Street Fund, Fire Fund Cemetery Fund, Water Fund, Sewer Fund
Accrued Pension Liability	Police Pension Fund, Fire Pension 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.

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for all employees with five or more years of service. The City records a liability for accumulated compensatory time for all employees.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

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

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 2001.

N. Contributed Capital

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

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 inventories of supplies, debt service, revolving loans, endowments, and encumbered amounts that have not been accrued at year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

For 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." GASB Statements 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis; however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. The implementation of GASB Statements 33 and 36 had no material effect on fund balances at December 31, 2000.

During fiscal year 2001, the City changed its fixed asset capitalization policy from \$500 to \$1,000, which resulted in a restatement. As a result of the physical inventory the General Fixed Assets Account Group was reduced by \$476,338. The General Fixed Assets Account Group balance at January 1, 2001 has been restated. The balance decreased from \$8,188,889 to \$7,712,551.

The change in capitalization policy during fiscal year 2001 also resulted in a decrease in the amount of fixed assets reported in the enterprise funds which required a restatement to the beginning retained earnings in the enterprise funds as of January 1, 2001 as follows:

Fund Type	Retained Earnings as Reported 12/31/2000	Adjustment Increase/ (Decrease)	Retained Earnings as Restated 1/1/2001
Enterprise	\$5,710,450	(\$15,472)	\$5,694,978

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits- The fund deficits at December 31, 2001 of \$58,014 in the Fire Pension Fund and \$52,626 in the Police Pension Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The retained earnings deficit of \$79,269 in the Insurance Fund (internal service fund) arose from the recognition of expenses on the accrual basis which are greater than those on the cash basis. Deficits do not exist under the budgetary basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

Legal Compliance- The City did not obtain prior certification of the Auditor for disbursements, contrary to Ohio Rev. Code Section 5705.41 (D).

NOTE 4 – 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 (STAROhio) 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 five 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 (STAROhio).

NOTE 4 – 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 105% 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 \$7,440,785 and the bank balance was \$7,972,519. 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, 2001 were as follows:

<u>Non-Categorized Investments</u>	<u>Fair Value</u>
STAROhio	\$858,341

NOTE 4 – 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. STAROhio 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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$8,299,126	\$0
Investments:		
STAROhio	<u>(858,341)</u>	<u>858,341</u>
Per GASB Statement No. 3	<u>\$7,440,785</u>	<u>\$858,341</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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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 2000. 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.

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, 2001 was \$14.00 per \$1,000 of assessed value. The assessed value upon which the 2001 tax receipts were based was \$135,725,200. This amount constitutes \$96,052,090 in real property assessed value, \$9,386,960 in public utility assessed value and \$30,286,150 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 1.25% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee 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, 2001, consisted of taxes, accounts receivable, loans, interest and intergovernmental receivables arising from shared revenues.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$345,000
Special Revenue Funds:		
Fire Protection Fund	0	184,365
Tree Fund	5,000	0
Municipal Airport Fund	125,000	0
Fire Pension Fund	184,365	0
Police Pension Fund	144,000	0
Cemetery Fund	135,650	0
Total Special Revenue Funds	594,015	184,365
Debt Service Fund:		
Bond Retirement Fund	0	15,305
Expendable Trust Fund:		
Northwood Cemetery Maintenance Fund	0	64,650
Enterprise Fund:		
Water Fund	15,305	0
Total All Funds	<u>\$609,320</u>	<u>\$609,320</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2001, is as follows:

Due from/to Other Funds	Due from Other Funds	Due to Other Funds
General Fund	\$44,554	\$0
Special Revenue Funds:		
Municipal Court Special Projects Fund	9,247	
Drug Law Enforcement Fund	110	0
Education and Enforcement Fund	296	0
Alcohol Treatment Fund	1,008	0
Municipal Court Computer Fund	2,873	0
Probation Services Fund	2,402	0
Total Special Revenue Funds	15,936	0
Capital Projects Fund:		
Municipal Court Capital Improvement Fund	7,652	0
Expendable Trust Fund:		
State Highway Fines Transfer Fund	4,328	0
Agency Fund:		
Municipal Court Fund	0	72,470
	<u>\$72,470</u>	<u>\$72,470</u>

NOTE 9 - FIXED ASSETS**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	Restated			December 31, 2001
	December 31, 2000	Additions	Deletions	
Land	\$467,983	\$0	\$0	\$467,983
Buildings	2,215,925	13,620	(2,895)	2,226,650
Improvements Other Than Buildings	1,660,007	1,820	0	1,661,827
Machinery and Equipment	3,368,636	457,707	(223,111)	3,603,232
Totals	<u>\$7,712,551</u>	<u>\$473,147</u>	<u>(\$226,006)</u>	<u>\$7,959,692</u>

B. Proprietary Fixed Assets

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$216,900	\$0	\$216,900
Buildings	9,243,420	(3,141,946)	6,101,474
Improvements Other Than Buildings	13,463,084	(5,242,317)	8,220,767
Machinery and Equipment	2,306,461	(773,331)	1,533,130
Construction in Progress	794,237	0	794,237
Total	<u>\$26,024,102</u>	<u>(\$9,157,594)</u>	<u>\$16,866,508</u>

NOTE 10 – 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% 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, 2001, 2000 and 1999 were \$456,761, \$353,221 and \$421,730, respectively, which were equal to the required contributions for each year.

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. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to 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 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$144,950.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. 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 OP&F Fund for the years ending December 31, 2001, 2000 and 1999 were \$189,416, \$183,545 and \$171,292 for police and \$213,785, \$213,068 and \$196,346 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs

paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$72,852 representing 7.5% of covered payroll for police and \$66,808 representing 7.5% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 11 – COMPENSATED ABSENCES

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

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees’ vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date.

At December 31, 2001 the total liability for accumulated unpaid sick leave time, unpaid vacation 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	46,021	\$337,622
Vacation Leave	13,464	196,727
Compensatory Time	<u>294</u>	<u>1,582</u>
Total	<u>59,779</u>	<u>\$535,931</u>

In addition, the accrued liability for accumulated unpaid sick leave time recorded in the enterprise funds decreased \$18,950 from a beginning year balance of \$134,178 to an ending year balance of \$115,228.

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NOTE 12 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

		Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
Enterprise Funds Long-Term Debt:				
Mortgage Revenue Bond:				
Waterworks Improvement	1995 - 2015	\$2,906,508	(\$135,000)	
			5,804	2,777,312
Total Mortgage Revenue Bond		2,906,508	(129,196)	2,777,312
Special Assessment Bonds:				
Waterline Improvement - 4.80%	1997 - 2017	47,526	(1,297)	
			47	46,276
Sewerline Improvement - 4.80%	1997 - 2017	135,751	(3,703)	
			135	132,183
Total Special Assessment Bonds		183,277	(4,818)	178,459
OWDA Loans:				
Water Pollution Improvement - 5.0%	1990 - 2011	3,131,449	(248,233)	2,883,216
Water Pollution Improvement - 4.04%	1998 - 2019	3,596,996	(198,412)	3,398,584
Total OWDA Loans		6,728,445	(446,645)	6,281,800
OPWC Loan:				
Water Treatment Plant				
Filter Rehabilitation - 0%	2001 -	0	161,947	161,947
Total Enterprise Funds Long-Term Debt		9,818,230	(418,712)	9,399,518
Other Enterprise Long-Term Obligations:				
Capital Lease - 6.75%	1997 - 2002	14,562	(11,551)	3,011
Total Enterprise Funds Long-Term Debt and Other Enterprise Long-Term Obligations		\$9,832,792	(\$430,263)	\$9,402,529
General Long-Term Debt:				
General Obligation Bonds:				
Recreational Facility Bonds - 5.30%	1994 - 2004	\$670,000	(\$155,000)	\$515,000
Ohio Public Works Commission Loans:				
Street Paving '93B - 0%	2004	10,780	(3,080)	7,700
Various Street Resurfacing - 0%	2004	5,204	(1,734)	3,470
Street Project '98 - 0%	2004	5,992	(1,997)	3,995
Street Project '94 - 0%	2005	6,433	(1,430)	5,003
Street Project '95 - 0%	2006	13,970	(2,794)	11,176
Street Project '98 - 0%	2008	12,030	(1,718)	10,312
Street Project '99 - 0%	2009	8,673	(1,020)	7,653
Total Ohio Public Works Commission Loans		63,082	(13,773)	49,309
Total General Long-Term Debt		733,082	(168,773)	564,309
Other Long-Term Obligations:				
Compensated Absences				
Capital Leases - 5.64% - 8.90%	2001 - 2004	316,109	219,822	535,931
		0	195,217	
			(46,258)	148,959
Accrued Pension Liability		571,689	(7,535)	564,154
Total Other Long-Term Obligations		887,798	361,246	1,249,044
Total General Long-Term Debt and Other Long-Term Obligations		\$1,620,880	\$192,473	\$1,813,353

The principal amount of the City's special assessment debt outstanding at December 31, 2001, \$178,459, 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.

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A. Ohio Public Works Commission Loan

In 2001, the City entered into an agreement with the Ohio Public Works Commission (OPWC), for the City to receive \$184,457. The interest rate on this loan is 0.0% per annum. Uniquely, the loan can only be received by the City in increments as the project is completed. As of December 31, 2001, the City had received \$161,947 from OPWC. The City will begin repaying the loan in semiannual payments in 2002 based on a loan amount of \$184,457 to be paid through 2022. An estimate of future financing requirements has been made based on the current loan balance of \$161,947 at December 31, 2001.

B. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2001 follows:

Years	General Obligation Bonds		Mortgage Revenue Bond		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$165,000	\$28,340	\$134,484	\$153,360	\$409,177	\$276,760	\$4,823	\$10,065
2003	170,000	19,430	144,793	146,150	428,435	257,502	9,834	9,820
2004	180,000	10,080	150,112	138,350	448,609	237,328	9,843	9,320
2005	0	0	160,451	130,213	469,741	216,197	9,853	8,810
2006	0	0	165,801	121,550	491,880	194,056	9,864	8,296
2007-2011	0	0	995,006	456,225	2,423,499	604,446	49,468	33,296
2012-2016	0	0	1,026,665	145,750	1,200,825	220,157	69,774	17,110
2017-2035	0	0	0	0	409,634	16,660	15,000	870
Totals	\$515,000	\$57,850	\$2,777,312	\$1,291,598	\$6,281,800	\$2,023,106	\$178,459	\$97,587

Years	Police/Fire							
	OPWC Loans		Accrued Pension Liability		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$21,871	\$0	\$7,858	\$23,894	\$51,070	\$8,821	\$794,283	\$501,240
2003	21,871	0	8,196	23,556	50,930	5,918	834,059	462,376
2004	16,600	0	8,549	23,204	49,970	2,873	863,683	421,155
2005	14,345	0	8,916	22,837	0	0	663,306	378,057
2006	10,835	0	9,298	22,455	0	0	687,678	346,357
2007-2011	44,757	0	52,837	105,927	0	0	3,565,567	1,199,894
2012-2016	40,485	0	65,204	93,679	0	0	2,402,953	476,696
2017-2035	40,492	0	403,296	183,695	0	0	868,422	201,225
Totals	\$211,256	\$0	\$564,154	\$499,247	\$151,970	\$17,612	\$10,679,951	\$3,987,000

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

C. 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, 2001 was \$1,063,401 in principal and interest payments through the year 2035. Only the principal amount of \$564,154 is included in the General Long-Term Obligations Account Group.

D. Revenue Bond Covenants

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

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

NOTE 13 - CAPITAL LEASE

The City is obligated under leases for water department mowers, cemetery department mowers and a fire rescue vehicle. The leases are accounted for as capital leases. The cost of the equipment obtained under capital lease and the related liability is included in the appropriate proprietary fund and general fixed asset account group..

The following is a schedule of the future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2001.

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2002	\$59,891
2003	56,848
2004	<u>52,843</u>
Minimum Lease Payments	169,582
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(17,612)</u>
Present value of minimum lease payments	<u><u>\$151,970</u></u>

NOTE 14 - 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 three fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$800,275. The claims liability of \$140,761 reported in the Self Insurance Fund at December 31, 2001 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 2000 and 2001 were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2000	\$73,273	\$739,980	(\$676,479)	\$136,774
2001	136,774	964,231	(960,244)	\$140,761

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.

NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Other Insurance (Continued)

The City of Cambridge obtained insurance coverage from the Pool for years 2001 - 2002 for losses related to liability, property, and automobile.

The City of Cambridge carried commercial (or maintained self-insurance) insurance coverage for the years 2000 - 2001 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 2001, the City of Cambridge made contributions to the Pool totaling \$130,458.

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, 2001 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 the 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 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

NOTE 15 - CONTRIBUTED CAPITAL

There were no changes to contributed capital during 2001. Contributed capital is as follows:

	Balance 12/31/2001
Water	\$2,154,840
Sewer	2,974,328
Total Enterprise	<u>\$5,129,168</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2001 for these enterprise activities is as follows:

	Water	Sewer	Total
Operating Revenues	\$2,189,714	\$2,182,894	\$4,372,608
Depreciation	342,837	208,402	551,239
Operating Income	488,993	862,116	1,351,109
Operating Transfers In	15,305	0	15,305
Net Income	488,808	708,550	1,197,358
Property, Plant and Equipment:			
Additions	1,710,389	443,964	2,154,353
Deletions	48,854	31,234	80,088
Assets	11,170,882	10,713,922	21,884,804
Net Working Capital	1,357,673	2,733,318	4,090,991
Loans and Bonds Payable	6,384,119	3,015,399	9,399,518
Total Equity	4,492,222	7,529,282	12,021,504

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

The City is associated with the Southeastern Ohio Narcotics Team (S.E.N.T.). S.E.N.T. is a multi jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 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 2001 the City contributed \$3,425 to S.E.N.T. which represents 6.80% of total contributions.

NOTE 18 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2001, there were two series of Revenue Bonds outstanding, with a principal amount payable of \$26,130,000.

NOTE 19 - CONSTRUCTION COMMITMENTS

As of December 31, 2001, 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>
D.O. Hall Construction Project	\$80,000	July 2002

NOTE 20 - 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 received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2001.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Victims of Crime Act	01-VAGENE-029	16.575	\$13,520
	00-VAGENE-029	16.575	<u>4,506</u>
Total Victims of Crime Act			18,026
<i>Passed Through Office of Criminal Justice Services:</i>			
Drug Control and System Improvement Act	00-DG-A01-7195	16.579	138,741
	99-DG-A01-7195	16.579	24,960
	98-DG-A01-7195	16.579	<u>4,359</u>
Total Drug Control and System Improvement Act			168,060
Edward Byrne Memorial State and Local Law Enforcement Assistance Program	98-DG-D02-7178	16.580	965
<i>Direct Programs:</i>			
COPS More	N/A	16.710	<u>8,944</u>
Total United States Department of Justice			195,995
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant (Small Cities Program)	A-F-99-100-1	14.228	12,390
Community Development Block Grant CHIP Grant	A-C-99-100-1	14.228	504,329
ARC Program - Disaster Recovery Grant	A-C-00-100-1	14.228	54,950
Total United States Department of Housing and Urban Development			<u>571,669</u>
<u>UNITED STATES DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Hazard Mitigation Grant	FEMA-DR-1227-0008-0H	83.548	<u>90,400</u>
Total United States Department of Federal Emergency Management Agency			90,400
<u>UNITED STATES DEPARTMENT OF COMMERCE</u>			
<i>Direct Program:</i>			
Economic Development Administration	N/A	11.300	<u>547,466</u>
Total United States Department of Commerce			<u>547,466</u>
Total Federal Awards Expenditures			<u><u>\$1,405,530</u></u>

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

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM REVOLVING LOAN PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program was \$17,393 and is exhibited on the Combined Balance Sheet in the Special Revenue Fund Type as Revolving Loans Receivable.

NOTE C - MATCHING REQUIREMENTS

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



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 accompanying general purpose financial statements of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 30, 2002, in which we indicated the City adopted Governmental Accounting Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-21030-001 and 2001-21030-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the City in a separate letter dated August 30, 2002.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated August 30, 2002.

This report is intended for the information and use of the audit committee, 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". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 30, 2002



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 MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the City Council:

Compliance

We have audited the compliance of the City of Cambridge, Guernsey County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 30, 2002.

This report is intended for the information and use of the audit committee, 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". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 30, 2002

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants - C.F.D.A. #14.228; Economic Development Administration - C.F.D.A #11.300
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

FINDING NUMBER 2001-21030-001

Finding for Recovery – Repaid Under Audit

Section 30.10 of the Agreement between the City of Cambridge and AFSCME Ohio Council 8, AFL-CIO and AFSCME Local 2316, provides all bargaining unit employees who have completed five (5) years of service shall receive, in addition to their regular rate of pay, a longevity pay supplement of sixty cents (\$.60) per hour for eligible unused vacation and sick leave, as additional severance pay upon retirement. Former utility employee Dennis Unklesbay retired from City service and was paid his severance on April 19, 2001, based on calculations provided by the utility director's secretary. The total longevity portion of this severance pay was incorrectly calculated at six dollars (\$6) per hour and totaled five thousand seventy-six dollars and ninety-six cents (\$5,076.96). The total longevity portion of his severance pay should have been calculated at six cents (\$.60) per hour and should have totaled five hundred seven dollars and seventy cents (\$507.70). This resulted in Mr. Unklesbay receiving an overpayment of four thousand five hundred and sixty-nine dollars (\$4,569).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for monies illegally expended is hereby issued against former City employee Dennis Unklesbay in the amount of four thousand five hundred and sixty-nine dollars (\$4,569) and in favor of the City's Water Fund.

The finding was repaid by Mr. Unklesbay with check number 302 dated August 5, 2002. This check was paid into the City Treasury on August 5, 2002, via pay-in number 18437.

FINDING NUMBER 2001-21030-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the order or contract was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

FINDING NUMBER 2001-21030-002 (Continued)

Noncompliance Citation (Continued)

Invoice dates preceded the City Auditor's certification of available funds in thirty-two percent of transactions tested. The City did not utilize the "then and now" certification option.

We recommend the City Auditor certify the availability of funds prior to incurring the expenditure.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A-133 §.315 (b)
DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-21030-001	City expenditures did not always include the prior certification of the City Auditor, in violation of Ohio Rev. Code Section 5705.41(D).	No	Little corrective action has been taken to date; however, the City Auditor is attempting to more closely monitor purchasing practices of various City departments.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-21030-001	The finding for recovery was repaid on August 5, 2002.	N/A	Suellen Johnson, City Auditor
2001-21030-002	The City Auditor will implement procedures to ensure that purchase orders are issued prior to incurring obligations.	December 31, 2002	Suellen Johnson, City Auditor



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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2002**