



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CAMBRIDGE
GUERNSEY COUNTY
DECEMBER 31, 2019**

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GUERNSEY COUNTY
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OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

City of Cambridge
Guernsey County
814 Wheeling Avenue
Cambridge, Ohio 43725

To the City of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* and Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 20 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2020

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The discussion and analysis of the City of Cambridge's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position increased \$4,221,822, which represents an 11 percent increase from 2018. Net position of governmental activities increased \$3,685,772. Net position of business-type activities increased \$536,050.
- Total capital assets increased \$1,754,084. Capital assets of governmental activities increased \$95,509 and capital assets of business-type activities increased \$1,658,575.
- Outstanding debt increased from \$10,321,106 to \$10,877,711.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2019 and how they affected the operations of the City as a whole.

Reporting the City of Cambridge as a Whole

Statement of Net Position and the Statement of Activities

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

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Guernsey County, Ohio
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(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and deferred outflows of resources and *liabilities* and deferred inflows of resources using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer funds are reported as business activities.

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and fire fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

City of Cambridge
Guernsey County, Ohio
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Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City of Cambridge as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2019	Restated 2018	Change	2019	2018	Change
Assets						
Current and Other Assets	\$ 11,463,223	\$ 10,635,295	\$ 827,928	\$ 15,324,910	\$ 15,366,311	\$ (41,401)
Capital Assets	30,394,623	30,299,114	95,509	20,167,036	18,508,461	1,658,575
<i>Total Assets</i>	41,857,846	40,934,409	923,437	35,491,946	33,874,772	1,617,174
Deferred Outflows of Resources						
Pension & OPEB	6,282,452	3,332,113	2,950,339	1,105,209	574,044	531,165
<i>Total Deferred Outflows of Resources</i>	6,282,452	3,332,113	2,950,339	1,105,209	574,044	531,165
Liabilities						
Current and Other Liabilities	1,360,613	1,041,623	318,990	970,755	578,419	392,336
Long-Term Liabilities:						
Due within One Year	872,393	632,180	240,213	275,632	247,735	27,897
Due in More Than One Year:						
Net Pension Liability	16,167,252	10,685,464	5,481,788	3,178,744	1,815,073	1,363,671
Net OPEB Liability	3,903,513	9,106,099	(5,202,586)	1,485,313	1,249,056	236,257
Other Amounts	7,650,145	7,303,134	347,011	3,270,196	3,210,050	60,146
<i>Total Liabilities</i>	29,953,916	28,768,500	1,185,416	9,180,640	7,100,333	2,080,307
Deferred Inflows of Resources						
Property Taxes	1,924,670	1,864,076	60,594	0	0	0
Pension & OPEB	821,626	1,879,632	(1,058,006)	96,174	564,192	(468,018)
<i>Total Deferred Inflows of Resources</i>	2,746,296	3,743,708	(997,412)	96,174	564,192	(468,018)
Net Position						
Net Investment in Capital Assets	23,056,539	23,751,137	(694,598)	16,427,001	15,265,754	1,161,247
Restricted	4,394,195	4,117,391	276,804	0	0	0
Unrestricted	(12,010,648)	(16,114,214)	4,103,566	10,893,340	11,518,537	(625,197)
<i>Total Net Position</i>	\$ 15,440,086	\$ 11,754,314	\$ 3,685,772	\$ 27,320,341	\$ 26,784,291	\$ 536,050

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
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actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB

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liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 73 percent of total assets. Capital assets include land, infrastructure, land improvements, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, water lines, sewer lines and construction in progress. Net investment in capital assets was \$39,483,540 at December 31, 2019, with \$23,056,539 in governmental activities and \$16,427,001 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$4,394,195 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$1,117,308 mainly due to GASB 68/75.

The City's non-depreciable capital assets decreased in 2019 in governmental activities. This decrease is due to an Ohio Department of Transportation grant for the Dewey Avenue project that was completed in 2019 and reported as a depreciable capital asset. Non-depreciable assets increased in the business-type activities due to several new projects that were started and not completed in 2019.

The increase in deferred outflows of resources and the decrease in deferred inflows of resources and the change in net pension and OPEB liabilities were directly related to changes in GASB 68 and 75 amounts reported by OPERS.

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,196,258	\$ 1,919,671	\$ 276,587	\$ 7,256,214	\$ 7,043,014	\$ 213,200
Operating Grants	1,528,691	2,540,509	(1,011,818)	505,500	0	505,500
Capital Grants	794,403	1,564,518	(770,115)	0	0	0
<i>General Revenues:</i>						
Property Taxes	2,005,053	2,035,533	(30,480)	0	0	0
Income Taxes	7,813,917	7,551,757	262,160	0	0	0
Grants and Entitlements	529,040	521,602	7,438	0	0	0
Gain on Disposal of Capital Assets	0	3,991	(3,991)	0	0	0
Hotel Lodging Tax	273,554	300,788	(27,234)	0	0	0
Miscellaneous	264,392	226,535	37,857	33,590	36,336	(2,746)
Insurance Recoveries	32,847	0	32,847	0	0	0
Investment Earnings	586,987	207,050	379,937	714	241	473
Total Revenues	16,025,142	16,871,954	(846,812)	7,796,018	7,079,591	716,427
Program Expenses						
General Government	4,803,478	3,977,948	825,530	0	0	0
Security of Persons and Property	1,638,860	7,564,795	(5,925,935)	0	0	0
Public Health	527,636	436,712	90,924	0	0	0
Leisure Time Services	1,197,753	1,047,600	150,153	0	0	0
Community Development	550,262	747,982	(197,720)	0	0	0
Transportation	3,374,521	3,613,118	(238,597)	0	0	0
Interest and Fiscal Charges	246,860	216,191	30,669	0	0	0
<i>Enterprise Operations:</i>						
Water	0	0	0	4,423,184	3,699,855	723,329
Sewer	0	0	0	2,836,784	2,893,253	(56,469)
Total Program Expenses	12,339,370	17,604,346	(5,264,976)	7,259,968	6,593,108	666,860
Change in Net Position	3,685,772	(732,392)	4,418,164	536,050	486,483	49,567
<i>Net Position Beginning of Year</i>	<i>11,754,314</i>	<i>12,449,897</i>	<i>(695,583)</i>	<i>26,784,291</i>	<i>26,297,808</i>	<i>486,483</i>
<i>Restatement - See Note 2</i>	<i>0</i>	<i>36,809</i>	<i>(36,809)</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Position End of Year	\$ 15,440,086	\$ 11,754,314	\$ 3,685,772	\$ 27,320,341	\$ 26,784,291	\$ 536,050

The City's overall net position increased \$4,221,822 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

Operating grants, contributions and interest increased primarily due to the receipt of a community development grant for downtown revitalization in 2018. Capital grants, decreased primarily due to the Ohio Department of Transportation grants being awarded in 2018.

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and investment interest.

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The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Police and fire (security of persons and property) represent the largest expense of the governmental activities. The police department operates out of the general fund and the fire department operates out of the fire fund.

This significant decrease in security of persons and property for police and fire is a result of OP&F changing its retiree health care model to a stipend-based health care model thus reducing its total OPEB liability, which translates to a significant lower net OPEB liability reported by employers.

The City's street maintenance and repair (transportation) department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City.

Business-Type Activities

Operating grants increased primarily due to the receipt of a community development grant and an Appalachian development grant for the sewer fund. Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2019, charges for services accounted for nearly 100 percent of the business type revenues.

The City's Funds

Governmental Funds

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements and charges for services.

The general fund's net change in fund balance for 2019 was a decrease of \$97,177, due to increased transfers out to help offset the cost to operate the cemetery.

The fund balance of the fire fund decreased by \$149,851 due to normal operations.

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Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the water fund at the end of the year amounted to \$4,970,361 and the unrestricted net position of the sewer fund was \$5,862,543. Both the water and sewer funds net position saw growth in 2019 of \$5,171 and \$536,488, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2019, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there was a need to make an amendment to increase the original estimated revenues and original budgeted appropriations. Estimated resources and appropriations had no significant differences between original budget compared to final budget.

Final Budget Compared to Actual Results There were no significant differences between estimated revenues and actual revenues. Estimated income taxes and interest were slightly more than expected. Appropriations also had no significant differences between estimated expenditures and actual expenditures.

There were no significant variances to discuss within other financing sources and uses.

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(Unaudited)

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2019 balances compared to 2018.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,713,829	\$ 2,675,429	\$ 302,346	\$ 251,146	\$ 3,016,175	\$ 2,926,575
Construction in Progress	532,823	1,715,429	2,251,531	198,007	2,784,354	1,913,436
Land Improvements	19,600	22,051	0	0	19,600	22,051
Buildings	6,758,598	6,846,356	1,438,927	1,693,450	8,197,525	8,539,806
Improvements Other Than Buildings	1,103,912	686,910	5,081,899	5,270,289	6,185,811	5,957,199
Machinery and Equipment	843,135	841,016	1,237,613	1,064,044	2,080,748	1,905,060
Furniture and Fixtures	14,459	17,446	0	11,643	14,459	29,089
Vehicles	830,238	985,181	96,293	14,190	926,531	999,371
Infrastructure	17,578,029	16,509,296	0	0	17,578,029	16,509,296
Water Lines	0	0	4,964,417	5,107,306	4,964,417	5,107,306
Sewer Lines	0	0	4,794,010	4,898,386	4,794,010	4,898,386
Total	\$ 30,394,623	\$ 30,299,114	\$ 20,167,036	\$ 18,508,461	\$ 50,561,659	\$ 48,807,575

The decrease in construction in progress of governmental activities is due to completion of the Dewey Avenue roadway upgrade and Clark Street reconstruction projects. The business type activities construction in progress increased due to several new projects started in 2019 and not completed. See Note 9 for additional information about the capital assets of the City.

Debt

See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 3,368,250	\$ 3,481,249	\$ 0	\$ 0	\$ 3,368,250	\$ 3,481,249
Lease Purchase Agreement	567,526	328,271	16,808	33,032	584,334	361,303
OPWC Loans	21,093	28,124	18,446	27,669	39,539	55,793
OWDA Loans	0	0	3,153,885	3,181,181	3,153,885	3,181,181
Loan Payable	3,059,809	2,745,278	140,000	0	3,199,809	2,745,278
Police and Fire Pension	357,066	373,130	0	0	357,066	373,130
Capital Leases	174,828	123,172	0	0	174,828	123,172
Total	\$ 7,548,572	\$ 7,079,224	\$ 3,329,139	\$ 3,241,882	\$ 10,877,711	\$ 10,321,106

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Economic Factors

This year, the City has several capital improvement projects that have been completed or are underway or planned in the various departments.

In the water department, projects completed include replacing roofs at the water treatment plant, the completion of the waterline project along Clark Street, and booster pump upgrades at the state hospital. The city plans to replace the waterline along Steubenville Avenue starting in August. The City also intends to complete a system wide water model and Capital Improvements Plan (CIP).

In the street department, a project currently underway is the Clark Street Reconstruction project. The project includes the complete replacement of the street including new storm sewer, curb/gutter, subbase, sidewalks, traffic signals, and a new asphalt pavement surface. Completed earlier this year was some street striping. Planned, is a project along Wills Creek Valley Drive that will address an ongoing slip.

In the sanitary sewer department, the City intends to complete a lining project that began in 2019. The remaining of the lining project includes sealing sanitary manholes and lining some storm sewers. The City also intends to extend a sanitary sewer along East Wheeling Avenue. Also planned are upgrades to one of the primary clarifiers.

The City has several projects planned for 2021. In the street department, the City plans to upgrade Steubenville Avenue. The project includes the complete replacement of the street including new storm sewer, curb/gutter, sidewalks, traffic signals, and a new asphalt pavement surface. Also planned is the annual street resurfacing project and sidewalk replacements along N 10th Street from Steubenville Avenue to Foster Avenue. The sidewalk replacement project is known as the 2021 Safe Routes to School project.

In the water department, the City intends to replace the waterlines in the Edgeworth addition of the City.

In the sanitary sewer department, the City intends to complete the annual sewer lining project.

The United States and the State of Ohio declare a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suellen Johnson, Auditor of City of Cambridge, 814 Wheeling Ave., Cambridge, Ohio 43725 or email camb-auditor@cambridgeoh.org.

City of Cambridge
Guernsey County, Ohio
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 5,700,174	\$ 13,046,273	\$ 18,746,447
Cash and Investments in Segregated Accounts	476,251	0	476,251
Cash and Investments with Escrow Agents	334,020	0	334,020
Accounts Receivable	231,240	1,440,696	1,671,936
Intergovernmental Receivable	1,070,272	505,500	1,575,772
Property Taxes Receivable	2,310,235	0	2,310,235
Income Taxes Receivable	1,341,386	0	1,341,386
Loans Receivable	10,923	0	10,923
Internal Balances	(60,436)	60,436	0
Prepaid Items	13,730	17,502	31,232
Materials and Supplies Inventory	35,428	55,612	91,040
Restricted Assets	0	198,891	198,891
Non-Depreciable Capital Assets	3,246,652	2,553,877	5,800,529
Depreciable Capital Assets, Net	27,147,971	17,613,159	44,761,130
<i>Total Assets</i>	<u>41,857,846</u>	<u>35,491,946</u>	<u>77,349,792</u>
Deferred Outflows of Resources			
Pension	4,926,575	975,229	5,901,804
OPEB	1,355,877	129,980	1,485,857
<i>Total Deferred Outflows of Resources</i>	<u>6,282,452</u>	<u>1,105,209</u>	<u>7,387,661</u>
Liabilities			
Accounts Payable	155,635	116,561	272,196
Accrued Wages	430,541	118,709	549,250
Contracts Payable	343,896	386,120	730,016
Retainage Payable	7,025	24,776	31,801
Intergovernmental Payable	120,776	26,043	146,819
Accrued Interest Payable	47,122	0	47,122
Claims Payable	7,795	0	7,795
Accrued Vacation Leave Payable	247,823	99,655	347,478
Customer Deposits Payable	0	198,891	198,891
Long-Term Liabilities:			
Due Within One Year	872,393	275,632	1,148,025
Due In More Than One Year:			
Net Pension Liability	16,167,252	3,178,744	19,345,996
Net OPEB Liability	3,903,513	1,485,313	5,388,826
Other Amounts Due in More Than One Year	7,650,145	3,270,196	10,920,341
<i>Total Liabilities</i>	<u>29,953,916</u>	<u>9,180,640</u>	<u>39,134,556</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,924,670	0	1,924,670
Pension	432,377	69,842	502,219
OPEB	389,249	26,332	415,581
<i>Total Deferred Inflows of Resources</i>	<u>2,746,296</u>	<u>96,174</u>	<u>2,842,470</u>
Net Position			
Net Investment in Capital Assets	23,056,539	16,427,001	39,483,540
Restricted for:			
Debt Service	65,126	0	65,126
Capital Outlay	350,921	0	350,921
Other Purposes	3,978,148	0	3,978,148
Unrestricted	(12,010,648)	10,893,340	(1,117,308)
<i>Total Net Position</i>	<u>\$ 15,440,086</u>	<u>\$ 27,320,341</u>	<u>\$ 42,760,427</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 4,803,478	\$ 1,478,100	\$ 36,922	\$ 0	\$ (3,288,456)	\$ 0	\$ (3,288,456)
Security of Persons and Property	1,638,860	194,281	240,858		\$ (1,203,721)	0	(1,203,721)
Public Health	527,636	142,039	575,068	0	189,471	0	189,471
Leisure Time Services	1,197,753	292,912	21,771	470,198	(412,872)	0	(412,872)
Community Development	550,262	80,960	0	0	(469,302)	0	(469,302)
Transportation	3,374,521	7,966	648,250	324,205	(2,394,100)	0	(2,394,100)
Community Environment	0	0	5,822	0	5,822	0	5,822
Interest and Fiscal Charges	246,860	0	0	0	(246,860)	0	(246,860)
<i>Total Governmental Activities</i>	<u>12,339,370</u>	<u>2,196,258</u>	<u>1,528,691</u>	<u>794,403</u>	<u>(7,820,018)</u>	<u>0</u>	<u>(7,820,018)</u>
Business-Type Activities							
Water	4,423,184	4,405,099	0	0	0	(18,085)	(18,085)
Sewer	2,836,784	2,851,115	505,500	0	0	519,831	519,831
<i>Total Business-Type Activities</i>	<u>7,259,968</u>	<u>7,256,214</u>	<u>505,500</u>	<u>0</u>	<u>0</u>	<u>501,746</u>	<u>501,746</u>
<i>Total</i>	<u>\$ 19,599,338</u>	<u>\$ 9,452,472</u>	<u>\$ 2,034,191</u>	<u>\$ 794,403</u>	<u>(7,820,018)</u>	<u>501,746</u>	<u>(7,318,272)</u>
General Revenues:							
Property Taxes Levied for:							
					373,345	0	373,345
					1,534,312	0	1,534,312
					97,396	0	97,396
Income Taxes Levied for:							
					5,561,401	0	5,561,401
					590,816	0	590,816
					495,271	0	495,271
					1,166,429	0	1,166,429
					529,040	0	529,040
					273,554	0	273,554
					32,847	0	32,847
					586,987	714	587,701
					264,392	33,590	297,982
<i>Total General Revenues</i>					<u>11,505,790</u>	<u>34,304</u>	<u>11,540,094</u>
<i>Change in Net Position</i>					3,685,772	536,050	4,221,822
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>11,754,314</u>	<u>26,784,291</u>	<u>38,538,605</u>
<i>Net Position End of Year</i>					<u>\$ 15,440,086</u>	<u>\$ 27,320,341</u>	<u>\$ 42,760,427</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 1,203,720	\$ 331,189	\$ 4,165,265	\$ 5,700,174
Cash and Investments in Segregated Accounts	76,364	0	125,046	201,410
Cash and Investments with Escrow Agents	0	0	334,020	334,020
Accounts Receivable	34,969	0	196,271	231,240
Intergovernmental Receivable	149,289	35,506	885,477	1,070,272
Property Taxes Receivable	409,561	1,776,542	124,132	2,310,235
Income Taxes Receivable	949,304	91,164	300,918	1,341,386
Loans Receivable	0	0	10,923	10,923
Prepaid Items	10,521	842	2,367	13,730
Materials and Supplies Inventory	0	0	35,428	35,428
<i>Total Assets</i>	<u>\$ 2,833,728</u>	<u>\$ 2,235,243</u>	<u>\$ 6,179,847</u>	<u>\$ 11,248,818</u>
Liabilities				
Accounts Payable	\$ 32,862	\$ 52,915	\$ 69,858	\$ 155,635
Accrued Wages	251,378	107,496	71,667	430,541
Contracts Payable	0	0	343,896	343,896
Retainage Payable	0	0	7,025	7,025
Intergovernmental Payable	66,203	39,303	15,270	120,776
<i>Total Liabilities</i>	<u>350,443</u>	<u>199,714</u>	<u>507,716</u>	<u>1,057,873</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	337,876	1,504,808	81,986	1,924,670
Unavailable Revenue	621,309	351,343	986,365	1,959,017
<i>Total Deferred Inflows of Resources</i>	<u>959,185</u>	<u>1,856,151</u>	<u>1,068,351</u>	<u>3,883,687</u>
Fund Balances				
Nonspendable	55,694	842	37,795	94,331
Restricted	0	178,536	4,130,490	4,309,026
Committed	0	0	575,589	575,589
Assigned	895,929	0	0	895,929
Unassigned	572,477	0	(140,094)	432,383
<i>Total Fund Balances</i>	<u>1,524,100</u>	<u>179,378</u>	<u>4,603,780</u>	<u>6,307,258</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,833,728</u>	<u>\$ 2,235,243</u>	<u>\$ 6,179,847</u>	<u>\$ 11,248,818</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		\$ 6,307,258
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,394,623
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 362,119	
Income Tax	587,427	
Intergovernmental	779,705	
Other	196,266	
Charges for Services	33,500	1,959,017

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		206,610
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Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(47,122)
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The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	4,926,575	
Deferred Outflows - OPEB	1,355,877	
Net Pension Liability	(16,167,252)	
Net OPEB Liability	(3,903,513)	
Deferred Inflows - Pension	(432,377)	
Deferred Inflows - OPEB	(389,249)	(14,609,939)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,185,000)	
Bond Premium	(183,250)	
Installment Loans	(414,250)	
OPWC Loans	(21,093)	
Lease Purchase	(567,526)	
USDA Loan	(2,645,559)	
Accrued Pension Liability	(357,066)	
Accrued Vacation Leave Payable	(247,823)	
Capital Leases	(174,828)	
Compensated Absences	(973,966)	(8,770,361)

<i>Net Position of Governmental Activities</i>		<u><u>\$ 15,440,086</u></u>
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See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 376,745	\$ 1,579,942	\$ 98,282	\$ 2,054,969
Income Taxes	5,436,987	476,382	1,716,798	7,630,167
Other Local Taxes	0	0	273,554	273,554
Charges for Services	170,503	170,000	229,448	569,951
Licenses and Permits	161,790	0	90,287	252,077
Fines and Forfeitures	518,002	0	841,879	1,359,881
Intergovernmental	493,209	77,097	1,389,478	1,959,784
Interest	581,551	0	17,985	599,536
Rent	46,036	0	0	46,036
Contributions and Donations	21,771	4,800	735,922	762,493
Other	220,227	14,557	33,083	267,867
<i>Total Revenues</i>	<u>8,026,821</u>	<u>2,322,778</u>	<u>5,426,716</u>	<u>15,776,315</u>
Expenditures				
Current:				
General Government	3,308,314	0	786,246	4,094,560
Security of Persons and Property	3,074,110	2,387,011	291,757	5,752,878
Public Health	5,900	0	530,299	536,199
Leisure Time Services	919,933	0	79,700	999,633
Community Development	242,663	0	257,488	500,151
Transportation	102,000	0	2,364,348	2,466,348
Capital Outlay	86,849	12,306	1,195,578	1,294,733
Debt Service:				
Principal Retirement	146,948	64,343	468,215	679,506
Interest and Fiscal Charges	82,427	8,969	248,386	339,782
<i>Total Expenditures</i>	<u>7,969,144</u>	<u>2,472,629</u>	<u>6,222,017</u>	<u>16,663,790</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>57,677</u>	<u>(149,851)</u>	<u>(795,301)</u>	<u>(887,475)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	85,349	0	718,788	804,137
Issuance of Loan	0	0	443,155	443,155
Insurance Recoveries	6,397	0	26,450	32,847
Transfers In	0	0	246,600	246,600
Transfers Out	(246,600)	0	0	(246,600)
<i>Total Other Financing Sources (Uses)</i>	<u>(154,854)</u>	<u>0</u>	<u>1,434,993</u>	<u>1,280,139</u>
<i>Net Change in Fund Balance</i>	(97,177)	(149,851)	639,692	392,664
<i>Fund Balance Beginning of Year (Restated see Note 2)</i>	<u>1,621,277</u>	<u>329,229</u>	<u>3,964,088</u>	<u>5,914,594</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,524,100</u>	<u>\$ 179,378</u>	<u>\$ 4,603,780</u>	<u>\$ 6,307,258</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	392,664
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 2,069,536	
Current Year Depreciation	<u>(1,958,595)</u>	110,941
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(15,432)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(49,916)	
Income Tax	183,750	
Intergovernmental	(218,928)	
Charges for Services	1,813	
Other	196,266	
Special Assessments	<u>(3,475)</u>	109,510
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Lease Purchase Agreement	401,975	
General Obligation Bonds	10,000	
Accrued Pension Liability	16,064	
OPWC Loan	7,031	
Installment Loans	128,624	
Capital Appreciation bonds	4,561	
Accretion on Capital Appreciation Bonds	120,439	
Capital Lease	<u>111,251</u>	799,945
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Lease purchase Agreement	(641,230)	
USDA Loans	(363,155)	
Installment Loans	<u>(80,000)</u>	(1,084,385)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(162,907)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(5,516)	
Amortization of Premium on Bonds	<u>10,180</u>	4,664
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,049,112	
OPEB	<u>14,526</u>	1,063,638
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(2,653,331)	
OPEB	<u>5,318,836</u>	2,665,505
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(18,336)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	(29,978)	
Compensated Absences	<u>(117,876)</u>	(147,854)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(32,181)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>3,685,772</u></u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 341,000	\$ 341,000	\$ 376,745	\$ 35,745
Income Taxes	5,300,000	5,300,000	5,460,048	160,048
Charges for Services	5,000	5,000	3,290	(1,710)
Licenses and Permits	128,500	128,500	161,880	33,380
Fines and Forfeitures	526,000	526,000	517,651	(8,349)
Intergovernmental	461,000	461,000	491,083	30,083
Interest	150,000	150,000	373,066	223,066
Rent	8,000	8,000	11,036	3,036
Other	10,600	166,626	241,938	75,312
<i>Total Revenues</i>	<u>6,930,100</u>	<u>7,086,126</u>	<u>7,636,737</u>	<u>550,611</u>
Expenditures				
Current:				
General Government	3,322,158	3,387,121	3,315,820	71,301
Security of Persons and Property	3,037,717	3,154,812	3,095,150	59,662
Public Health	5,900	5,900	5,900	0
Leisure Time Services	667,462	667,462	645,105	22,357
Community Development	250,875	250,875	241,911	8,964
Capital Outlay	2,000	2,000	1,500	500
Debt Service:				
Principal Retirement	146,948	146,948	146,948	0
Interest and Fiscal Charges	108,114	82,582	82,427	155
<i>Total Expenditures</i>	<u>7,541,174</u>	<u>7,697,700</u>	<u>7,534,761</u>	<u>162,939</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(611,074)</u>	<u>(611,574)</u>	<u>101,976</u>	<u>713,550</u>
Other Financing Sources (Uses)				
Insurance Recoveries	0	0	6,397	6,397
Transfers Out	(340,000)	(340,000)	(348,600)	(8,600)
<i>Total Other Financing Sources (Uses)</i>	<u>(340,000)</u>	<u>(340,000)</u>	<u>(342,203)</u>	<u>(2,203)</u>
<i>Net Change in Fund Balance</i>	(951,074)	(951,574)	(240,227)	711,347
<i>Fund Balance Beginning of Year</i>	1,091,031	1,091,031	1,091,031	0
Prior Year Encumbrances Appropriated	81,477	81,477	81,477	0
<i>Fund Balance End of Year</i>	<u>\$ 221,434</u>	<u>\$ 220,934</u>	<u>\$ 932,281</u>	<u>\$ 711,347</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,579,942	\$ 129,942
Income Taxes	395,000	395,000	478,452	83,452
Charges for Services	170,000	170,000	170,000	0
Intergovernmental	80,000	80,000	77,097	(2,903)
Contributions and Donations	0	0	4,800	4,800
Other	75,000	83,308	14,557	(68,751)
<i>Total Revenues</i>	<u>2,170,000</u>	<u>2,178,308</u>	<u>2,324,848</u>	<u>146,540</u>
Expenditures				
Current:				
Security of Persons and Property	2,394,188	2,402,496	2,337,515	64,981
Capital Outlay	25,000	25,000	12,706	12,294
Debt Service:				
Principal Retirement	64,343	64,343	64,343	0
Interest and Fiscal Charges	8,969	8,969	8,969	0
<i>Total Expenditures</i>	<u>2,492,500</u>	<u>2,500,808</u>	<u>2,423,533</u>	<u>77,275</u>
<i>Net Change in Fund Balance</i>	(322,500)	(322,500)	(98,685)	223,815
<i>Fund Balance Beginning of Year</i>	406,858	406,858	406,858	0
Prior Year Encumbrances Appropriated	14,302	14,302	14,302	0
<i>Fund Balance End of Year</i>	<u>\$ 98,660</u>	<u>\$ 98,660</u>	<u>\$ 322,475</u>	<u>\$ 223,815</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 7,564,330	\$ 5,481,943	\$ 13,046,273	\$ 0
Cash and Investments in Segregated Accounts	0	0	0	274,841
Accounts Receivable	765,333	675,363	1,440,696	0
Intergovernmental Receivable	0	505,500	505,500	0
Prepaid Items	10,488	7,014	17,502	0
Materials and Supplies Inventory	50,491	5,121	55,612	0
<i>Total Current Assets</i>	<u>8,390,642</u>	<u>6,674,941</u>	<u>15,065,583</u>	<u>274,841</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Investments	198,891	0	198,891	0
Non-Depreciable Capital Assets	2,270,563	283,314	2,553,877	0
Depreciable Capital Assets, Net	6,991,203	10,621,956	17,613,159	0
<i>Total Non-Current Assets</i>	<u>9,460,657</u>	<u>10,905,270</u>	<u>20,365,927</u>	<u>0</u>
<i>Total Assets</i>	<u>17,851,299</u>	<u>17,580,211</u>	<u>35,431,510</u>	<u>274,841</u>
Deferred Outflows of Resources				
Pension	571,017	404,212	975,229	0
OPEB	80,058	49,922	129,980	0
<i>Total Deferred Outflows of Resources</i>	<u>651,075</u>	<u>454,134</u>	<u>1,105,209</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	82,822	33,739	116,561	0
Accrued Wages	67,096	51,613	118,709	0
Contracts Payable	255,492	130,628	386,120	0
Retainage Payable	12,102	12,674	24,776	0
Intergovernmental Payable	14,620	11,423	26,043	0
Accrued Vacation Leave Payable	39,927	59,728	99,655	0
Claims Payable	0	0	0	7,795
Customer Deposits Payable	198,891	0	198,891	0
Compensated Absences Payable	7,939	3,526	11,465	0
Lease Purchase Payable	8,404	8,404	16,808	0
Loans Payable	13,333	13,333	26,666	0
OPWC Loan Payable	4,611	0	4,611	0
OWDA Loans Payable	70,604	145,478	216,082	0
<i>Total Current Liabilities</i>	<u>775,841</u>	<u>470,546</u>	<u>1,246,387</u>	<u>7,795</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	103,361	101,863	205,224	0
Loans Payable - Net of Current Portion	56,667	56,667	113,334	0
OPWC Loan Payable - Net of Current Portion	13,835	0	13,835	0
OWDA Loans Payable - Net of Current Portion	1,966,435	971,368	2,937,803	0
Net Pension Liability	1,816,425	1,362,319	3,178,744	0
Net OPEB Liability	848,750	636,563	1,485,313	0
<i>Total Long-Term Liabilities</i>	<u>4,805,473</u>	<u>3,128,780</u>	<u>7,934,253</u>	<u>0</u>
<i>Total Liabilities</i>	<u>5,581,314</u>	<u>3,599,326</u>	<u>9,180,640</u>	<u>7,795</u>
Deferred Inflows of Resources				
Pension	23,851	45,991	69,842	0
OPEB	2,303	24,029	26,332	0
<i>Total Deferred Inflows of Resources</i>	<u>26,154</u>	<u>70,020</u>	<u>96,174</u>	<u>0</u>
Net Position				
Net Investment in Capital Assets	7,924,545	8,502,456	16,427,001	0
Unrestricted	4,970,361	5,862,543	10,832,904	267,046
<i>Total Net Position</i>	<u>\$12,894,906</u>	<u>\$14,364,999</u>	<u>27,259,905</u>	<u>\$ 267,046</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.

Net Position of business-type activities

60,436

\$ 27,320,341

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$ 4,405,099	\$ 2,851,115	\$ 7,256,214	\$ 404,963
Other	20,650	12,940	33,590	0
<i>Total Operating Revenues</i>	4,425,749	2,864,055	7,289,804	404,963
Operating Expenses				
Personal Services	1,832,726	1,369,422	3,202,148	0
Contractual Services	949,843	432,487	1,382,330	15,391
Materials and Supplies	983,166	565,871	1,549,037	0
Claims	0	0	0	418,953
Depreciation	547,282	428,702	975,984	0
<i>Total Operating Expenses</i>	4,313,017	2,796,482	7,109,499	434,344
<i>Operating Income (Loss)</i>	112,732	67,573	180,305	(29,381)
Non-Operating Revenues (Expense)				
Interest	0	714	714	5,436
Intergovernmental	0	505,500	505,500	0
Interest and Fiscal Charges	(107,561)	(37,299)	(144,860)	0
<i>Total Non-Operating Revenues (Expense)</i>	(107,561)	468,915	361,354	5,436
<i>Change in Net Position</i>	5,171	536,488	541,659	(23,945)
<i>Net Position Beginning of Year</i>	12,889,735	13,828,511		290,991
<i>Net Position End of Year</i>	\$ 12,894,906	\$ 14,364,999		\$ 267,046
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			(5,609)	
Changes in Net Position of Business-Type Activities			\$ 536,050	

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Fund
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 4,432,514	\$ 2,727,789	\$ 7,160,303	\$ 404,963
Cash Received from Other Operating Receipts	20,650	12,940	33,590	0
Cash Payments to Suppliers for Goods and Services	(1,060,511)	(596,383)	(1,656,894)	0
Cash Payments to Employees for Services and Benefits	(1,445,790)	(1,144,210)	(2,590,000)	0
Cash Payments for Contractual Services	(882,025)	(446,107)	(1,328,132)	(15,391)
Cash Payments for Claims	0	0	0	(417,119)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,064,838</u>	<u>554,029</u>	<u>1,618,867</u>	<u>(27,547)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds of OWDA Loans	328,912	0	328,912	0
Proceeds of Loans	80,000	80,000	160,000	0
Acquisition of Capital Assets	(1,918,372)	(306,116)	(2,224,488)	0
Principal Payments on Debt	(242,389)	(159,266)	(401,655)	0
Interest Payments on Debt	(108,034)	(37,772)	(145,806)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,859,883)</u>	<u>(423,154)</u>	<u>(2,283,037)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	0	714	714	5,436
<i>Net Increase (Decrease) in Cash and Investments</i>	(795,045)	131,589	(663,456)	(22,111)
<i>Cash and Investments Beginning of Year</i>	<u>8,558,266</u>	<u>5,350,354</u>	<u>13,908,620</u>	<u>296,952</u>
<i>Cash and Investments End of Year</i>	<u>\$ 7,763,221</u>	<u>\$ 5,481,943</u>	<u>\$ 13,245,164</u>	<u>\$ 274,841</u>

(Continued)

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 112,732	\$ 67,573	\$ 180,305	\$ (29,381)
Adjustments:				
Depreciation	547,282	428,702	975,984	0
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	27,415	(123,326)	(95,911)	0
Prepaid Items	(132)	(110)	(242)	0
Materials and Supplies Inventory	(28,498)	2,487	(26,011)	0
Deferred Outflows - Pension/OPEB	(315,842)	(215,323)	(531,165)	0
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	16,978	(46,509)	(29,531)	0
Accrued Wages	5,040	4,846	9,886	0
Customer Deposits Payable	2,125	0	2,125	0
Claims Payable	0	0	0	1,834
Accrued Vacation Leave Payable	(4,039)	2,797	(1,242)	0
Compensated Absences Payable	133	653	786	0
Intergovernmental Payable	657	1,316	1,973	0
Deferred Inflows - Pension/OPEB	(261,894)	(206,124)	(468,018)	0
Net Pension Liability	808,051	555,620	1,363,671	0
Net OPEB Liability	154,830	81,427	236,257	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,064,838</u>	<u>\$ 554,029</u>	<u>\$ 1,618,867</u>	<u>\$ (27,547)</u>

Noncash Capital Financing Activities:

The City purchased \$410,896 and \$825 of capital assets on account in 2019 and 2018, respectively.

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Private Purpose Trust	Custodial Funds
Assets		
Cash and Investments in Segregated Accounts	\$ 47,761	\$ 101,454
<i>Total Assets</i>	47,761	101,454
Liabilities		
Intergovernmental Payable	0	86,494
<i>Total Liabilities</i>	0	86,494
Net Position		
Restricted for Private Purposes	47,761	0
Restricted for Individuals, Organizations, and Other Governments	0	14,960
<i>Total Net Position</i>	\$ 47,761	\$ 14,960

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	Private Purpose Trust	Custodial Funds
Additions		
Fines and Forfeitures for Other Governments	\$ 0	\$ 1,556,401
Deductions		
Fines and Forfeitures for Other Governments	0	1,554,489
Payments in Accordance with Trust Agreements	280	0
<i>Total Deductions</i>	<u>280</u>	<u>1,554,489</u>
<i>Change in Net Position</i>	<u>(280)</u>	<u>1,912</u>
<i>Net Position Beginning of Year (Restated, See Note 2)</i>	<u>48,041</u>	<u>13,048</u>
<i>Net Position End of Year</i>	<u>\$ 47,761</u>	<u>\$ 14,960</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1: 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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police and fire protection, water, sewer, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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

Related Organizations

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

Cambridge Metropolitan Housing Authority – The Cambridge Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to state statutes. The Authority is operated by a five member board. Two members are appointed by the Mayor of Cambridge, one member is appointed by the common pleas court judge, and one member is appointed by the Guernsey County Commissioners. The City is not 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 of trustees. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Guernsey County Board of Commissioners. Subsequent appointments are made by the City in each even numbered year and the County in each odd numbered year. The City provided 27 percent of the funds received by the Authority in 2019; however, the City is not financially accountable for the Authority.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

South East Area Transit – The South East Area Transit (SEAT) was created pursuant to state statute in 1979. SEAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SEAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SEAT is limited to a ten member board comprised of seven individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, one person appointed by the Guernsey County Commissioners and one person appointed by the Mayor of Cambridge. The continued existence of the Authority is not dependent on the City’s continued participation and the City has no equity interest in or financial responsibility for the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

A. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

B. Fund Accounting

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

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

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

Fire Fund The fire special revenue fund is used to account for the property and income taxes levied in the City for the operation of its fire department.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

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

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The sewer and water funds are the City's major enterprise funds.

Water Fund The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Internal Service Fund The internal service fund accounts for the financing of service provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund reports on a self-insurance program for employee dental benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The four types of trust funds are used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The City has three private purpose trust funds which is used to account for the money set aside to be donated to charities as authorized in the will of the individuals. The City has two custodial fund which is used to account for monies held for individuals and organizations for fines and forfeitures.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Like the government-wide statements, all proprietary and fiduciary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities. Private purpose trust funds are reported using the economic resources measurement focus. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

E. Pooled Cash and Investments

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2019 the City invested in federal agency securities, money market mutual funds, commercial paper, US Treasury notes and certificates of deposits.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2019 amounted to \$581,551, which includes \$295,047 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and investments in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, "Deposits and Investments."

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

City of Cambridge
Guernsey County, Ohio
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For the Year Ended December 31, 2019

G. Materials and Supplies Inventory

Materials and supplies 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 funds when purchased and as expenses in the governmental activities and proprietary funds when used.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000 for all capital assets except \$25,000 for governmental infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City's infrastructure consists of streets, traffic lights, and water and sewer lines. Depreciation is computed using the straight-line method over the following useful lives:

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Notes to the Basic Financial Statements
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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 - 20 Years	N/A
Buildings	5 - 50 Years	15 - 25 Years
Improvements Other Than Buildings	15 - 65 Years	10 - 65 Years
Machinery and Equipment	5 - 25 Years	5 - 25 Years
Furniture and Fixtures	10 - 15 Years	5 - 15 Years
Vehicles	3 - 20 Years	5 - 10 Years
Water/Sewer Lines	N/A	65 Years
Infrastructure	15 - 75 Years	N/A

J. Interfund Balances

On fund financial statements, long-term interfund loans are reported as “advances to/from other funds.” Repayment is expected to be made within a reasonable time. These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances.”

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. All employees with the City are deemed vested.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net

City of Cambridge
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pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2019, \$113,219 of the City's net position was restricted by enabling legislation.

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

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. City Council has by resolution authorized the City Auditor to assign fund balance. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

City of Cambridge
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R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

S. Estimates

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

T. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, of grants or outside contributions of resources restricted to capital acquisition and construction.

City of Cambridge
Guernsey County, Ohio
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For the Year Ended December 31, 2019

V. Implementation of New Accounting Principles and Restatement of Net Position

New Accounting Principles

For the year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the City has early implemented GASB No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the City's financial statements (see Note 2W below).

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

City of Cambridge
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GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

W. Restatement of Net Position/Fund Balances

The implementation of GASB 84 had the following effect on net position and fund balance as reported December 31, 2018:

	Governmental Activities	
Net Position December 31, 2018	\$ 11,717,505	
GASB Statement No. 84	36,809	
Restated Net Position, January 1, 2018	\$ 11,754,314	
	General	Other Governmental Funds
Fund Balance, December 31, 2018	\$ 1,622,007	\$ 3,926,549
GASB Statement No. 84	(730)	37,539
Restated Fund Balance, December 31, 2018	\$ 1,621,277	\$ 3,964,088
	Agency	Fiduciary Custodial
Net Position December 31, 2018	\$ 0	\$ 0
GASB Statement No. 84	0	13,048
Adjustments:		
Assets	(191,283)	0
Liabilities	191,283	0
Restated Net Position, January 1, 2018	\$ 0	\$ 13,048

City of Cambridge
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 3: FUND DEFICITS

Fund balances at December 31, 2019, included the following individual fund deficit: This deficit in the non-major fund resulted from adjustments for accrued liabilities.

	Deficit Fund Balance
Non-Major Funds:	
Victims of Crime Act (VOCA) Grant	\$ 3,087
USDA Loan	29,971
Cemetery	8,181
Dewey Avenue Streetscape Project	98,855

The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as an assigned fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and fire funds.

City of Cambridge
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Notes to the Basic Financial Statements
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Net Change in Fund Balance		
	General	Fire
GAAP Basis	\$ (97,177)	\$ (149,851)
Net Adjustment for Revenue Accruals	(246,289)	2,070
Net Adjustment for Expenditure Accruals	63,026	57,809
Funds Budgeted Elsewhere **	54,130	0
Adjustment for Encumbrances	(13,917)	(8,713)
Budget Basis	\$ (240,227)	\$ (98,685)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes municipal airport fund, tree fund, park user fee reserve fund and municipal trust fund.

NOTE 5: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guarantee as to principal or interest by the United States;

City of Cambridge
Guernsey County, Ohio
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For the Year Ended December 31, 2019

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and the use of leverage and short selling is also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, \$4,526,090 of the City's bank balance of \$7,143,448 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Cash and Cash Equivalents with Escrow Agent - At year end, the City had \$334,020 in cash and cash equivalents deposited separate from the City's internal investment pool.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

City of Cambridge
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For the Year Ended December 31, 2019

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2019, the City had the following investment and maturity:

Ratings by S&P Gobel	Investment	Measurement Amount	Investment Maturities in Months			% Total
			0-12	13-36	Over 36	
	Net Asset Value (NAV):					
AAAm	First American Government Obligations	\$ 21,695	\$ 21,695	\$ 0	\$ 0	0.2%
	Fair Value:					
AA+	Federal Home Loan Mortgage	1,729,651	500,020	224,998	1,004,633	13.6%
Aaa	Federal Farm Credit Bank	1,725,630	0	505,000	1,220,630	13.5%
Aaa	Federal National Mortgage Association MTN	899,383	899,383	0	0	7.0%
Aaa	Federal National Mortgage Association	550,339	249,997	0	300,342	4.3%
N/A	Negotiable Certificates of Deposit	4,188,752	492,136	1,187,899	2,508,717	32.8%
Aaa	US Treasury Note	386,404	0	0	386,404	3.0%
P-1	Commercial Paper	3,270,904	3,270,904	0	0	25.6%
	Total Investments	\$ 12,772,758	\$ 5,434,135	\$ 1,917,897	\$ 5,420,726	100.0%

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2019. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk The City has no investment policy to address interest rate risk in place at this time.

Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2019. All federal agency bonds and notes had a rating of AA+ from S&P Global Ratings.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 6: TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes were levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$13.70 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 169,723,870
Public Utilities	<u>9,607,410</u>
Total Assessed Value	<u><u>\$ 179,331,280</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

B. Income Taxes

The City levies a tax of 2.0 percent 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 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 7: RECEIVABLES

Receivables at December 31, 2019 consisted of taxes, accounts, loans, and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$10,923. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. The fund balance representing revolving loans receivable is restricted because it is not appropriable for expenditures, or is legally segregated for specific use.

NOTE 8: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2019:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 246,600
Non-Major Governmental Funds:		
VOCA Grant	1,600	0
Cemetery	245,000	0
Total All Funds	\$ 246,600	\$ 246,600

The transfers from the General Fund to the various other funds were to provide additional resources for current operations.

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City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2019 follows:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,675,429	\$ 38,400	\$ 0	\$ 2,713,829
Construction in Progress	1,715,429	995,363	(2,177,969)	532,823
<i>Total Capital Assets Not Being Depreciated</i>	<u>4,390,858</u>	<u>1,033,763</u>	<u>(2,177,969)</u>	<u>3,246,652</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	121,584	0	0	121,584
Buildings	9,434,645	171,776	0	9,606,421
Improvements Other Than Buildings	2,392,763	462,612	0	2,855,375
Machinery and Equipment	2,825,173	197,648	(76,391)	2,946,430
Furniture and Fixtures	69,848	0	0	69,848
Vehicles	2,764,510	266,120	(130,476)	2,900,154
Infrastructure	29,033,359	2,115,586	0	31,148,945
<i>Total Capital Assets, Being Depreciated</i>	<u>46,641,882</u>	<u>3,213,742</u>	<u>(206,867)</u>	<u>49,648,757</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(99,533)	(2,451)	0	(101,984)
Buildings	(2,588,289)	(259,534)	0	(2,847,823)
Improvements Other Than Buildings	(1,705,853)	(45,610)	0	(1,751,463)
Machinery and Equipment	(1,984,157)	(180,097)	60,959	(2,103,295)
Furniture and Fixtures	(52,402)	(2,987)	0	(55,389)
Vehicles	(1,779,329)	(421,063)	130,476	(2,069,916)
Infrastructure	(12,524,063)	(1,046,853)	0	(13,570,916)
<i>Total Accumulated Depreciation</i>	<u>(20,733,626)</u>	<u>(1,958,595) *</u>	<u>191,435</u>	<u>(22,500,786)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>25,908,256</u>	<u>1,255,147</u>	<u>(15,432)</u>	<u>27,147,971</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 30,299,114</u>	<u>\$ 2,288,910</u>	<u>\$ (2,193,401)</u>	<u>\$ 30,394,623</u>

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*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 119,395
Leisure Time Services	119,603
Security of Persons and Property	549,420
Transportation	1,125,890
Public Health	<u>44,287</u>
 Total	 <u>\$ 1,958,595</u>

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 251,146	\$ 51,200	\$ 0	\$ 302,346
Construction in progress	<u>198,007</u>	<u>2,077,843</u>	<u>(24,319)</u>	<u>2,251,531</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>449,153</u>	<u>2,129,043</u>	<u>(24,319)</u>	<u>2,553,877</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	10,334,940	108,800	0	10,443,740
Improvements Other Than Buildings	9,751,557	0	0	9,751,557
Machinery and Equipment	2,537,593	325,247	0	2,862,840
Furniture and Fixtures	151,021	0	0	151,021
Vehicles	585,718	95,788	0	681,506
Water Lines	7,281,711	0	0	7,281,711
Sewer Lines	<u>8,078,165</u>	<u>0</u>	<u>0</u>	<u>8,078,165</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>38,720,705</u>	<u>529,835</u>	<u>0</u>	<u>39,250,540</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(8,641,490)	(363,323)	0	(9,004,813)
Improvements Other Than Buildings	(4,481,268)	(188,390)	0	(4,669,658)
Machinery and Equipment	(1,473,549)	(151,678)	0	(1,625,227)
Furniture and Fixtures	(139,378)	(11,643)	0	(151,021)
Vehicles	(571,528)	(13,685)	0	(585,213)
Water Lines	(2,174,405)	(142,889)	0	(2,317,294)
Sewer Lines	<u>(3,179,779)</u>	<u>(104,376)</u>	<u>0</u>	<u>(3,284,155)</u>
<i>Total Accumulated Depreciation</i>	<u>(20,661,397)</u>	<u>(975,984)</u>	<u>0</u>	<u>(21,637,381)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>18,059,308</u>	 <u>(446,149)</u>	 <u>0</u>	 <u>17,613,159</u>
 <i>Total Business-Type Activities Capital Assets, Net</i>	 <u>\$ 18,508,461</u>	 <u>\$ 1,682,894</u>	 <u>\$ (24,319)</u>	 <u>\$ 20,167,036</u>

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NOTE 10: DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* and *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is

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a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at three percent.

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Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$671,013 for 2019. Of this amount, \$73,076 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$612,954 for 2019. Of this amount, \$72,041 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2019, the specific liability of the City was \$357,066 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.033161%	0.125742%	
Prior Measurement Period	0.032138%	0.121527%	
Change in Proportion	<u>0.001023%</u>	<u>0.004215%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 9,082,126	\$ 10,263,870	\$ 19,345,996
Pension Expense	\$ 1,966,367	\$ 1,392,651	\$ 3,359,018

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 1,232,698	\$ 1,264,499	\$ 2,497,197
Differences between Expected and			
Actual Experience	419	421,701	422,120
Changes of Assumptions	790,617	272,109	1,062,726
Changes in Proportionate Share	144,850	490,944	635,794
City Contributions Subsequent to the Measurement Date	<u>671,013</u>	<u>612,954</u>	<u>1,283,967</u>
Total Deferred Outflows of Resources	<u>\$ 2,839,597</u>	<u>\$ 3,062,207</u>	<u>\$ 5,901,804</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 119,253	\$ 9,586	\$ 128,839
Changes in Proportionate Share	<u>78,726</u>	<u>294,654</u>	<u>373,380</u>
Total Deferred Inflows of Resources	<u>\$ 197,979</u>	<u>\$ 304,240</u>	<u>\$ 502,219</u>

\$1,283,967 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 830,126	\$ 636,820	\$ 1,466,946
2021	452,825	360,313	813,138
2022	114,359	409,870	524,229
2023	573,295	681,091	1,254,386
2024	0	56,919	56,919
	<u>\$ 1,970,605</u>	<u>\$ 2,145,013</u>	<u>\$ 4,115,618</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2018
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	
Measurement Date	7.20 percent
Prior Measurement Date	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described table.

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The most recent experience study was completed for the five year period ended December 31, 2015. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	<u>18.00</u>	<u>5.50</u>
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

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	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 13,416,941	\$ 9,082,126	\$ 5,479,855

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-U.S. Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income*	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds*	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed

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investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 13,491,150	\$ 10,263,870	\$ 7,567,012

NOTE 11 – DEFINED BENEFIT OPEB PLAN

See Note 10 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are

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required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Beginning January 1, 2019, OP&F changed its retiree health care model and the self-insured health care plan is no longer offered. In its place is a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$14,526 for 2019. Of this amount, \$1,702 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.032550%	0.125742%	
Prior Measurement Period	0.031951%	0.121527%	
Change in Proportion	0.000599%	0.004215%	
Proportionate Share of the Net			
OPEB Liability	\$ 4,243,752	\$ 1,145,074	\$ 5,388,826
OPEB Expense	\$ 374,102	\$ (5,563,025)	\$ (5,188,923)

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At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	\$ 194,551	\$ 38,762	\$ 233,313
Differences between Expected and			
Actual Experience	1,438	0	1,438
Changes of Assumptions	136,824	593,552	730,376
Changes in Proportionate Share	65,136	441,068	506,204
City Contributions Subsequent to the Measurement Date	0	14,526	14,526
Total Deferred Outflows of Resources	<u>\$ 397,949</u>	<u>\$ 1,087,908</u>	<u>\$ 1,485,857</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 11,514	\$ 30,680	\$ 42,194
Changes of Assumptions	0	317,011	317,011
Changes in Proportionate Share	56,376	0	56,376
Total Deferred Inflows of Resources	<u>\$ 67,890</u>	<u>\$ 347,691</u>	<u>\$ 415,581</u>

\$14,526 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 141,638	\$ 125,189	\$ 266,827
2021	57,710	125,189	182,899
2022	32,704	125,189	157,893
2023	98,007	136,915	234,922
2024	0	118,430	118,430
Thereafter	0	94,779	94,779
	<u>\$ 330,059</u>	<u>\$ 725,691</u>	<u>\$ 1,055,750</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

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The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trusts	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 5,429,340	\$ 4,243,752	\$ 3,300,896

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 4,079,166	\$ 4,243,752	\$ 4,433,310

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Stipend Increase Rate	The stipend is not assumed to increase over the projection period.
Investment Rate of Return	
Current Measurement Date	8.00 percent
Prior Measurement Date	8.00 percent
Single Discount Rate:	
Current Measurement Date	4.66 percent
Prior Measurement Date	3.24 percent
Municipal Bond Rate	
Current Measurement Date	4.13 percent
Prior Measurement Date	3.16 percent
Health Care Cost Trend Rate	N/A-based on a medical benefit that is a flat dollar amount, therefore, it is unaffected by a health care cost trend rate.
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lessor of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-U.S. Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income*	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

* Levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 1,395,013	\$ 1,145,074	\$ 935,272

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NOTE 12: COMMITMENTS

A. Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2019.

	<u>Contractual</u> <u>Commitment</u>	<u>Expended</u>	<u>Balance</u> <u>12/31/2019</u>
<i>Governmental-Type Activities:</i>			
Admin Building Project	\$ 346,909	\$ 102,650	\$ 244,259
<i>Business-Type Activities:</i>			
Steubenville Water Line	110,115	53,235	56,880
Sewer Replacement at East Wheeling	28,650	26,061	2,589
Sewer Lining Improvement	438,003	161,432	276,571
Water Treatment Plant Roof Renovation	247,302	102,377	144,925
Clark Street Replacement	1,632,168	1,625,661	6,507
Edgeworth Waterline Replacement	<u>200,000</u>	<u>127,850</u>	<u>72,150</u>
 Total	 <u>\$ 3,003,147</u>	 <u>\$2,199,266</u>	 <u>\$ 803,881</u>

Contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note. Reasons for this may include timing of when contracts are encumbered and contracts paid from enterprise funds, which are not required to disclose encumbrance commitments.

B. Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 10,003
Street Improvement Fund	79,814
Other Governmental Funds	<u>19,702</u>
Total	<u>\$ 109,519</u>

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NOTE 13: 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, 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 union employees who retires or is laid-off after ten (10) years of service, is eligible to receive 10 percent of all sick time in excess of 960 hours. 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, except for police officers. Police officers can carryover vacation balance up to three years. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2019 the liability for estimated unpaid compensated absences was \$1,190,655.

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NOTE 14: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds:			
Courthouse Facilities Improvement Bonds-2009			
Capital Appreciation Bonds	35.50%	19,656	12/1/2019
Term Bonds	3.75%-4.50%	3,210,000	12/1/2037
Courthouse Facilities Improvement Refunding Bonds-2017			
Serial Bonds	2.00%-3.00%	1,220,000	12/1/2027
Term Bonds	3.00-4.00%	1,995,000	12/1/2037
Direct Borrowings:			
Ohio Public Works Commission Loan:			
Continuous Street Improvements	0.00%	72,911	1/1/2023
USDA Loan	2.75%	3,000,000	9/1/2047
Installment Loans:			
Hondros Building Installment Loan	0.00%	80,000	4/25/2024
Peoples Bank	2.50%	500,000	5/23/2020
Lease Purchase:			
Street Sweeper	4.16%	142,065	10/5/2021
Ladder Truck	2.09%	1,064,987	12/1/2019
Excavator	3.59%	25,221	3/15/2020
Mcfarland Stadium Lighting	3.59%	641,230	7/8/2029
Business-Type Activities:			
Direct Borrowings:			
Ohio Public Works Commission Loan:			
Water Treatment Plant Filter Rehabilitation - 2002	0.00%	184,457	1/1/2022
Ohio Water Development Authority Loans:			
Water Line Replacement - 2011	3.77%	1,187,512	7/1/2041
Brown Heights Waterline Replacement	2.58%	1,006,815	7/1/2038
Trihalomethane Removal System	2.90%	1,650,320	7/1/2028
Waste Water Treatment Plant Improvements - 2015	3.04%	1,527,847	1/1/2027
Installment Loan:			
Hondros Building	0.00%	160,000	4/25/2024
Lease Purchase:			
Excavator	3.59%	50,442	3/15/2020

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For the Year Ended December 31, 2019

Changes in long-term obligations of the City during the year ended December 31, 2019 consisted of the following:

	Principal Balance 12/31/2018	Additions	Reductions	Principal Balance 12/31/2019	Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2009 Courthouse Facilities Improvement Bonds					
Capital Appreciation Bonds	\$ 4,561	\$ 0	\$ (4,561)	\$ 0	\$ 0
Accretion on Capital Appreciation Bonds	88,258	32,181	(120,439)	0	0
2017 Courthouse Facilities Improvement Refunding Bonds					
Serial and Term Bonds	3,195,000	0	(10,000)	3,185,000	135,000
Unamortized Premium	193,430	0	(10,180)	183,250	0
<i>Total General Obligation Bonds</i>	<u>3,481,249</u>	<u>32,181</u>	<u>(145,180)</u>	<u>3,368,250</u>	<u>135,000</u>
<i>Direct Borrowings</i>					
OPWC Continuous Street Improvement	28,124	0	(7,031)	21,093	3,516
Hondros Building Installment Loan	0	80,000	(20,000)	60,000	13,334
USDA Loan	2,351,372	363,155	(68,968)	2,645,559	70,865
Installment Loan	393,906	0	(39,656)	354,250	354,250
Lease Purchases	328,271	641,230	(401,975)	567,526	79,896
<i>Total Direct Borrowings</i>	<u>3,101,673</u>	<u>1,084,385</u>	<u>(537,630)</u>	<u>3,648,428</u>	<u>521,861</u>
Other Long-Term Obligations:					
Compensated Absences	856,090	202,446	(84,570)	973,966	92,427
Accrued Police and Fire Pension Liability	373,130	0	(16,064)	357,066	16,753
Capital Leases	123,172	162,907	(111,251)	174,828	106,352
<i>Total Other Long-Term Obligations</i>	<u>1,352,392</u>	<u>365,353</u>	<u>(211,885)</u>	<u>1,505,860</u>	<u>215,532</u>
Net Pension/OPEB Liabilities:					
Net Pension	10,685,464	5,481,788	0	16,167,252	0
OPEB	9,106,099	0	(5,202,586)	3,903,513	0
<i>Total Net Pension/OPEB Liabilities</i>	<u>19,791,563</u>	<u>5,481,788</u>	<u>(5,202,586)</u>	<u>20,070,765</u>	<u>0</u>
Total Governmental Activities Long-Term Debt and Other Long-Term Obligations	<u>\$ 27,726,877</u>	<u>\$ 6,963,707</u>	<u>\$ (6,097,281)</u>	<u>\$ 28,593,303</u>	<u>\$ 872,393</u>

City of Cambridge
Guernsey County, Ohio
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For the Year Ended December 31, 2019

	Principal Balance 12/31/2018	Additions	Reductions	Principal Balance 12/31/2019	Due in One Year
<i>Direct Borrowings</i>					
<i>OWDA Loans:</i>					
Water Line Replacement	\$ 1,001,718	\$ 0	\$ (28,941)	\$ 972,777	\$ 30,042
WWTP Improvements	1,258,000	0	(141,154)	1,116,846	145,478
Brown Heights Waterline Replacement	987,424	0	(39,535)	947,889	40,562
Trihalomethane Removal System	(65,961)	328,912	(146,578)	116,373	0
Total OWDA Loans	<u>3,181,181</u>	<u>328,912</u>	<u>(356,208)</u>	<u>3,153,885</u>	<u>216,082</u>
<i>OPWC Loan:</i>					
Water Treatment Plant Filter Rehabilitation	27,669	0	(9,223)	18,446	4,611
<i>Installment Loan:</i>					
Hondros Building Installment Loan	0	160,000	(20,000)	140,000	26,666
Lease Purchases	33,032	0	(16,224)	16,808	16,808
<i>Total Direct Borrowings</i>	<u>3,241,882</u>	<u>488,912</u>	<u>(401,655)</u>	<u>3,329,139</u>	<u>264,167</u>
<i>Other Long-Term Obligations:</i>					
Compensated Absences	215,903	13,443	(12,657)	216,689	11,465
<i>Net Pension/OPEB Liabilities</i>					
Net Pension	1,815,073	1,363,671	0	3,178,744	0
OPEB	1,249,056	236,257	0	1,485,313	0
<i>Total Net Pension/OPEB Liabilities</i>	<u>3,064,129</u>	<u>1,599,928</u>	<u>0</u>	<u>4,664,057</u>	<u>0</u>
Total Business-Type Activities Long-Term					
Debt and Other Long-Term Obligations	<u>\$ 6,521,914</u>	<u>\$ 2,102,283</u>	<u>\$ (414,312)</u>	<u>\$ 8,209,885</u>	<u>\$ 275,632</u>

2009 Courthouse Facilities Improvement Bonds

On September 30, 2009, the City issued \$3,999,656 of general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$770,000, \$3,210,000 and \$19,656, respectively. The bonds were issued for the purpose of construction of a new municipal court building, equipment, furnishings and site improvements. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2037. The 2009 serial and term bonds were refunded in 2017.

The capital appreciation bonds mature December 1, 2017 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$375,000. For 2019, the accretion amount was \$32,181.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

2017 Courthouse Facilities Improvement Refunding Bonds

On December 18, 2017, the City issued \$3,215,000 in general obligation bonds, which included serial and term bonds in the amount of \$1,220,000 and \$1,995,000, respectively. The bonds advance refunded \$3,210,000 of outstanding 2009 Courthouse Facilities Improvement Bonds. The bonds were issued for a twenty year period final maturity at December 1, 2037.

At the date of refunding, \$3,418,611 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$3,210,000 of the 2009 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$424,543 over the next twenty years and resulted in an economic gain of \$272,449. The \$3,210,000 of the defeased bonds were called on June 1, 2019.

The refunding bonds were issued with a premium of \$203,611. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$120,405. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$353,113. The issuance resulted in an economic gain of \$272,449.

General Obligation bonds are backed by the full faith and credit of the City.

2014 Installment Loan

On February 14, 2014, the City entered into an installment loan for \$200,000 with Peoples Bank for a business loan. On May 31, 2016 the City added an additional \$300,000 to the loan. As of December 31, 2019, the City only borrowed \$393,906. A principal and interest payment is due on May 23, 2019 with the entire principal being payable on May 23, 2020. The loan is backed by certificates of deposit. In the event of a default, as defined by the signed agreement, the lender may take all funds in the account and apply them to the indebtedness.

USDA Loan

In 2017 the City entered into an United States Department of Agriculture Loan the purpose of purchasing and remodeling a building to house the administrative offices. The City can borrow up to \$3,000,000, as of December 31, 2019 the City had drawn down \$2,714,527. The first principal payment was paid on September 1, 2019 in the amount of \$68,968. The amortization schedule presented is based on the City borrowing the entire \$3,000,000.

2019 Installment Loan

In 2019, the City entered into a land installment contract for the purpose of purchasing a tract of land and building. The loan is to be paid in five annual installments. In the event of default, the entire unpaid balance shall be subject to a 5 percent interest rate until paid in full. The loan is backed by the land and building.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Lease Purchases

In 2019 the City entered into a lease purchase agreement for lighting at the Cambridge High School McFarland and Don Cross ballfields. In the event of default, the lessee has the right to declare all rental payments and other amounts payable by the lessee due or to the premises where the equipment is located and take possession of the equipment. The lessor has the right to sell or lease the equipment for the account of the lessee and hold the lessee liable for the difference.

In a prior period, the City entered into lease purchase agreements for a street sweeper, ladder fire truck, and an excavator. These leases are backed by the equipment. In the event of default, the lessee may enter the premises where the equipment is located and take possession of the equipment and charge the lessor for the costs incurred.

The excavator will be paid from the street, water and sewer funds equally. The ladder fire truck will be paid from the fire fund and public lands capital improvement fund. The street sweeper will be paid from the street fund and the McFarland stadium lighting will be paid from the public lands capital improvement fund.

OWDA Loans

The City entered into an OWDA loan in 2018 for a water line replacement at Brown Heights in the amount of \$1,006,815.

The City entered into an OWDA loan in 2018 for a trihalomethane removal system in the amount of \$1,644,560. As of December 31, 2019, \$334,672 had been drawn down by the City. There is no amortization schedule available for this loan.

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the City to pay any fines or penalties incurred with interest.

OPWC Loans

In 2012 the City received loan proceeds of \$67,711 from Ohio Public Works Commission (OPWC) for continuous street improvements which the City determined did not meet capitalization requirements. The loan has a zero interest rate. The final installment is due on January 1, 2023.

In 2002, the City entered into a loan a 20 year with the OPWC for water treatment plant filter rehab. The loan has a zero percent interest rate. Payments semi-annual in the amount of \$4,611 and final payment is due January 1, 2023.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the City to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$3,208,850 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which was 30.68 percent. The total principal and interest remaining to be paid on the loans are \$3,893,149. Principal and interest paid for the current year and total net revenues were \$510,051 and \$1,662,503 respectively.

General obligation bonds will be paid from tax revenues in the debt service fund. The governmental OPWC loan will be paid from the street improvement fund. The installment loan is being paid by the code violation special revenue fund. The USDA loan will be paid from the general fund. Governmental compensated absences will be paid from fund from which the employees' salaries are paid, which is primarily the general, street, fire and cemetery fund.

The business-type Ohio Public Works Commission (OPWC) loan and the Ohio Water Development Authority (OWDA) loans will be paid from charges for services from the water and sewer funds. Business-type compensated absences will be paid from general operating revenues of the water and sewer funds.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water and sewer funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2019 was \$490,735 in principal and interest payments through the year 2037. Only the principal amount of \$357,066 is included in the Governmental Activities as a long-term liability. Payments are made from property tax receipted into the police and fire pension special revenue funds.

The capital leases are paid from the general, special projects, cemetery and public lands capital improvement funds.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The annual requirements to retire governmental activities debt are as follows:

Years	Accrued Pension Liability		General Obligation Bonds		Lease Purchase		Hondros Building
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2020	\$ 16,753	\$ 14,999	\$ 135,000	\$ 109,900	\$ 79,896	\$ 20,159	\$ 13,334
2021	17,473	14,280	140,000	105,850	73,829	17,519	13,334
2022	18,224	13,529	145,000	101,650	45,473	15,102	13,334
2023	19,006	12,746	150,000	97,300	47,132	13,443	13,334
2024	19,823	11,930	150,000	92,800	48,852	11,723	6,664
2025-2029	112,640	46,123	815,000	396,700	272,344	30,531	0
2030-2034	139,000	19,763	975,000	241,000	0	0	0
2035-2038	14,145	301	675,000	54,800	0	0	0
Totals	<u>\$ 357,064</u>	<u>\$ 133,671</u>	<u>\$ 3,185,000</u>	<u>\$ 1,200,000</u>	<u>\$ 567,526</u>	<u>\$ 108,477</u>	<u>\$ 60,000</u>

Years	USDA Loan		OPWC	Installment Loan		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2020	\$ 70,865	\$ 80,824	\$ 3,516	\$ 354,250	\$ 9,007	\$ 673,614	\$ 234,889
2021	72,813	78,655	7,031	0	0	324,480	216,304
2022	74,816	76,652	7,031	0	0	303,878	206,933
2023	76,873	74,595	3,515	0	0	309,860	198,084
2024	78,988	72,679	0	0	0	304,327	189,132
2025-2029	428,738	328,776	0	0	0	1,628,722	802,130
2030-2034	491,022	266,463	0	0	0	1,605,022	527,226
2035-2039	562,365	195,100	0	0	0	1,251,510	250,201
2040-2044	644,050	113,414	0	0	0	644,050	113,414
2045-2047	430,502	16,691	0	0	0	430,502	16,691
Totals	<u>\$ 2,931,032</u>	<u>\$ 1,303,849</u>	<u>\$ 21,093</u>	<u>\$ 354,250</u>	<u>\$ 9,007</u>	<u>\$ 7,475,965</u>	<u>\$ 2,755,004</u>

The annual requirements to retire business-type activities debt are as follows:

Years	Lease Purchase		OWDA Loans		OPWC Loan	Hondros Building	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2020	16,808	603	\$ 216,082	\$ 93,444	\$ 4,611	\$ 26,666	\$ 264,167	\$ 94,047
2021	0	0	222,734	86,792	9,223	26,666	258,623	86,792
2022	0	0	229,595	79,931	4,612	26,666	260,873	79,931
2023	0	0	236,668	72,857	0	26,666	263,334	72,857
2024	0	0	243,963	65,562	0	33,336	277,299	65,562
2025-2029	0	0	781,713	230,915	0	0	781,713	230,915
2030-2034	0	0	511,521	144,444	0	0	511,521	144,444
2035-2039	0	0	499,225	59,603	0	0	499,225	59,603
2040-2041	0	0	96,011	3,643	0	0	96,011	3,643
Totals	<u>\$ 16,808</u>	<u>\$ 603</u>	<u>\$ 3,037,512</u>	<u>\$ 837,191</u>	<u>\$ 18,446</u>	<u>\$ 140,000</u>	<u>\$ 3,212,766</u>	<u>\$ 837,794</u>

On April 7, 2020, OPWC deferred all July 2020 loan payments with no payment due until January 2021 billing cycle with a six-month deferment for the life of the loan. This is reflected in the due within one year amount and the amortization schedules above.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

In 2019 the City entered into a lease agreement for four police cruisers in the amount of \$162,907. The police cruisers will be paid out of the special projects and general funds. In prior years, the City entered into capitalized leases for the acquisition of a back hoe and 3 police cruisers. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the amount of \$359,902, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$97,660 as of December 31, 2019, leaving a current book value of \$262,242. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019:

		Governmental Activities
Year Ending December 31:	2020	\$ 120,120
	2021	73,738
Minimum lease payments		193,858
Less: amount representing interest at the City's incremental borrowing rate of interest		(19,030)
Present value of minimum lease payments		\$ 174,828

NOTE 16: INSURANCE AND RISK MANAGEMENT

Self-Insurance

The City maintains a self-funded dental and vision insurance program and for the deductible portion of their health insurance plan with claims processed by administrators on behalf of the City. A separate Self-Insurance Fund (an internal service fund) was created in 1989 to account for and finance the insurance program.

All funds of the City from which employee salaries are paid participate in the dental and vision insurance program and the deductible portion of the health insurance plan and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$404,963. The claims liability of \$7,795 reported in the Self-Insurance Fund at December 31, 2019 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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Changes in the City's claims liability amount in during 2018 and 2019 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Claims Expense</u>	<u>Claims Payments</u>	<u>Balance of Liability at Year End</u>
2019	\$ 5,961	\$ 418,953	\$ 417,119	\$ 7,795
2018	5,658	374,732	374,429	5,961

Risk Pool Membership

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Workers Compensation

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 17: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities and retirement housing. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2019, there were three series of revenue bonds outstanding for the hospital, one series for retirement housing and one for cancer center with a principal amount payable of \$3,320,000, \$1,125,108 and \$7,500,000, respectively.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 18: CONTINGENCIES

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2019.

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City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 19: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General Fund	Fire Fund	Other Governmental Funds	Total
Nonspendable for:				
Materials and Supplies Inventory	\$ 0	\$ 0	\$ 35,428	\$ 35,428
Prepaid Items	10,521	842	2,367	13,730
Unclaimed Monies	45,173	0	0	45,173
Total Nonspendable	<u>55,694</u>	<u>842</u>	<u>37,795</u>	<u>94,331</u>
Restricted for:				
Capital Outlay	0	0	67,018	67,018
Motor Vehicle & Gasoline Tax	0	0	76,193	76,193
Street Improvement	0	0	510,568	510,568
Street Fund	0	0	653,781	653,781
Special Projects	0	0	346,208	346,208
Debt Service	0	0	65,126	65,126
Municipal Court	0	0	15,107	15,107
FEMA	0	0	11,408	11,408
Northwood Cemetary	0	0	1,627,849	1,627,849
Fire	0	178,536	0	178,536
Other Purposes	0	0	757,232	757,232
Total Restricted	<u>0</u>	<u>178,536</u>	<u>4,130,490</u>	<u>4,309,026</u>
Committed for:				
Park Side Tasty Treat	0	0	22,066	22,066
Code Violation	0	0	36,754	36,754
Fire Capital Equipment	0	0	126,168	126,168
Capital Improvement	0	0	390,601	390,601
Total Committed	<u>0</u>	<u>0</u>	<u>575,589</u>	<u>575,589</u>
Assigned for:				
Encumbrances				
General Government	6,105	0	0	6,105
Security of Persons & Property	2,585	0	0	2,585
Community Development	850	0	0	850
Leisure Time Activities	463	0	0	463
Other Purposes	157,422	0	0	157,422
Subsequent Year Appropriations	728,504	0	0	728,504
Total Assigned	<u>895,929</u>	<u>0</u>	<u>0</u>	<u>895,929</u>
Unassigned	<u>572,477</u>	<u>0</u>	<u>(140,094)</u>	<u>432,383</u>
Total Fund Balance	<u>\$ 1,524,100</u>	<u>\$ 179,378</u>	<u>\$ 4,603,780</u>	<u>\$ 6,307,258</u>

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 20: SUBSEQUENT EVENT

The United States and the State of Ohio declare a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Six Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>						
City's Proportion of the Net Pension Liability	0.033161%	0.032138%	0.033032%	0.034506%	0.034485%	0.034485%
City's Proportionate Share of the Net Pension Liability	\$ 9,082,126	\$ 5,041,871	\$ 7,500,959	\$ 5,976,874	\$ 4,159,276	\$ 4,065,332
City's Covered Payroll	\$ 4,495,871	\$ 4,230,400	\$ 4,268,567	\$ 4,294,375	\$ 4,227,858	\$ 3,235,331
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.01%	119.18%	175.73%	139.18%	98.38%	125.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>						
City's Proportion of the Net Pension Liability	0.125742%	0.121527%	0.114352%	0.125081%	0.124645%	0.124645%
City's Proportionate Share of the Net Pension Liability	\$ 10,263,870	\$ 7,458,666	\$ 7,242,936	\$ 8,046,549	\$ 6,457,105	\$ 6,070,578
City's Covered Payroll	\$ 2,835,467	\$ 2,654,488	\$ 2,455,940	\$ 2,598,758	\$ 2,469,624	\$ 2,374,669
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	361.98%	280.98%	294.92%	309.63%	261.46%	255.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Seven Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 671,013	\$ 629,422	\$ 549,952	\$ 512,228
Contributions in Relation to the Contractually Required Contribution	<u>(671,013)</u>	<u>(629,422)</u>	<u>(549,952)</u>	<u>(512,228)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 4,792,950	\$ 4,495,871	\$ 4,230,400	\$ 4,268,567
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 612,954	\$ 599,028	\$ 561,873	\$ 520,431
Contributions in Relation to the Contractually Required Contribution	<u>(612,954)</u>	<u>(599,028)</u>	<u>(561,873)</u>	<u>(520,431)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,905,204	\$ 2,835,467	\$ 2,654,488	\$ 2,455,940
Contributions as a Percentage of Covered Payroll	21.10%	21.13%	21.17%	21.19%

(1) Although this schedule is intended to reflect ten years, information prior to 2013 is not available.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 515,325	\$ 507,343	\$ 420,593
<u>(515,325)</u>	<u>(507,343)</u>	<u>(420,593)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,294,375	\$ 4,227,858	\$ 3,235,331
12.00%	12.00%	13.00%
\$ 549,101	\$ 521,629	\$ 423,217
<u>(549,101)</u>	<u>(521,629)</u>	<u>(423,217)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,598,758	\$ 2,469,624	\$ 2,374,669
21.13%	21.12%	17.82%

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City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Three Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net OPEB Liability	0.032550%	0.031951%	0.032929%
City's Proportionate Share of the Net OPEB Liability	\$ 4,243,752	\$ 3,469,599	\$ 3,325,941
City's Covered Payroll	\$ 4,495,871	\$ 4,230,400	\$ 4,268,567
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	94.39%	82.02%	77.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net OPEB Liability	0.125742%	0.121527%	0.114352%
City's Proportionate Share of the Net OPEB Liability	\$ 1,145,074	\$ 6,885,556	\$ 5,428,032
City's Covered Payroll	\$ 2,835,467	\$ 2,654,488	\$ 2,455,940
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.38%	259.39%	221.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 42,304	\$ 85,371
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(42,304)</u>	<u>(85,371)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll (1)	\$ 4,792,950	\$ 4,495,871	\$ 4,230,400	\$ 4,268,567
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 14,526	\$ 14,177	\$ 13,272	\$ 12,280
Contributions in Relation to the Contractually Required Contribution	<u>(14,526)</u>	<u>(14,177)</u>	<u>(13,272)</u>	<u>(12,280)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,905,204	\$ 2,835,467	\$ 2,654,488	\$ 2,455,940
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 12,994	\$ 43,010	\$ 77,164	\$ 154,641	\$ 167,843	\$ 159,369
<u>(12,994)</u>	<u>(43,010)</u>	<u>(77,164)</u>	<u>(154,641)</u>	<u>(167,843)</u>	<u>(159,369)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,598,758	\$ 2,469,624	\$ 2,374,669	\$ 3,352,453	\$ 2,486,562	\$ 2,361,014
0.50%	1.70%	3.25%	4.61%	6.75%	6.75%

City of Cambridge
Guernsey County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Assumptions – OP&F

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

For calendar year 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

City of Cambridge
Guernsey County
814 Wheeling Avenue
Cambridge, Ohio 43725

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2020. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF CAMBRIDGE

GUERNSEY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/17/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov