



Dave Yost • Auditor of State



CITY OF CAMBRIDGE  
GUERNSEY COUNTY

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**CITY OF CAMBRIDGE  
GUERNSEY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

September 13, 2012

**City of Cambridge**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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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, 2011. 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 2011 are as follows:

- General Revenues accounted for \$8,450,223 in revenue or 40 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$12,813,745 or 60 percent of total revenues of \$21,263,968.
- Total program expenses were \$16,643,379, \$11,121,989 in governmental activities and \$5,521,390 in business-type activities.
- In total, net assets increased \$4,620,589. Net assets of governmental activities increased \$4,144,185. Net assets of business-type activities increased \$476,404.
- Outstanding debt increased to \$8,662,046 in 2011 from \$8,167,000 in 2010 due to the issuance of new OWDA debt.

***Using this Annual Financial Report***

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2011 and how they affected the operations of the City as a whole.

***Reporting the City of Cambridge as a Whole***

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets 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 of Cambridge, the general fund, fire fund, Campbell/Woodlawn Avenue fund and Route 40 Improvement fund are by far the most significant funds. Business-type funds consist of the water and sewer funds.

**City of Cambridge**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting 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 assets* and *changes in those assets*. This change in net assets 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 Assets 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, fire fund, Campbell Woodlawn Ave. fund and the Rt. 40 improvement 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire fund, Campbell/Woodlawn Avenue fund and Route 40 Improvement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.



**City of Cambridge**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2011  
(Unaudited)

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (water and sewer); therefore, these statements will essentially match.

**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 Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2011 compared to 2010:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	Restated		2011	2010	2011	Restated
	2011	2010				2010
<b>Assets:</b>						
Current and Other Assets	\$ 11,089,969	\$ 9,177,632	\$ 6,491,711	\$ 5,901,560	\$ 17,581,680	\$ 15,079,192
Capital Assets	23,668,624	21,258,281	18,240,874	17,878,818	41,909,498	39,137,099
<i>Total Assets</i>	<u>34,758,593</u>	<u>30,435,913</u>	<u>24,732,585</u>	<u>23,780,378</u>	<u>59,491,178</u>	<u>54,216,291</u>
<b>Liabilities:</b>						
Long-Term Liabilities	5,367,450	5,569,468	4,334,340	3,734,552	9,701,790	9,304,020
Other Liabilities	2,586,598	2,206,085	456,523	580,508	3,043,121	2,785,593
<i>Total Liabilities</i>	<u>7,954,048</u>	<u>7,775,553</u>	<u>4,790,863</u>	<u>4,315,060</u>	<u>12,744,911</u>	<u>12,090,613</u>
<b>Net Assets:</b>						
Invested In Capital Assets, Net of Debt	19,676,600	17,145,468	14,039,835	14,279,064	33,716,435	31,424,532
Restricted	5,117,196	3,718,836	0	0	5,117,196	3,718,836
Unrestricted	2,010,749	1,796,056	5,901,887	5,186,254	7,912,636	6,982,310
<i>Total Net Assets</i>	<u>\$ 26,804,545</u>	<u>\$ 22,660,360</u>	<u>\$ 19,941,722</u>	<u>\$ 19,465,318</u>	<u>\$ 46,746,267</u>	<u>\$ 42,125,678</u>

**City of Cambridge**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2011  
(Unaudited)

Total assets increased by \$5,307,176 with governmental assets increasing \$4,354,969 and business-type assets increasing \$952,207. Cash increased in the governmental assets in the amount of \$1,026,362. This is due to an increase in revenue, decrease in expenditures and an increase in capital grants. An increase of \$2,772,399 in total capital assets mainly reflects the US route 22/40 paving project that is still in process at the end of 2011. See page 9 for a more detailed analysis of the City's capital assets. The majority of the increase was in governmental assets. Total liabilities increased by \$654,298, with long-term liabilities increasing \$397,770 and current liabilities increasing \$256,528. The increase in long term liabilities is due to additional debt in the business-type activities. The increase in current liabilities is primarily due to an increase in contracts payable.

Total net assets increased by \$4,620,589. This number reflects an increase of \$4,144,185 in the governmental activities and an increase of \$476,404 in business-type activities.

Table 2 shows the changes in net assets for fiscal year 2011 and 2010.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	Restated 2010	2011	2010	2011	Restated 2010
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,821,334	\$ 1,724,210	\$ 5,573,337	\$ 5,322,705	\$ 7,394,671	\$ 7,046,915
Operating Grants	1,550,978	1,487,066	0	0	1,550,978	1,487,066
Capital Grants	3,454,919	56,803	413,177	113,884	3,868,096	170,687
<i>General Revenue:</i>						
Property Taxes	1,429,050	1,490,546	0	0	1,429,050	1,490,546
Income Taxes	6,057,246	5,731,214	0	0	6,057,246	5,731,214
Grants and Entitlements	845,491	821,657	0	0	845,491	821,657
Investment Earnings	37,289	147,717	1,253	2,687	38,542	150,404
Miscellaneous	69,867	102,931	10,027	15,339	79,894	118,270
<b>Total Revenues</b>	<b>15,266,174</b>	<b>11,562,144</b>	<b>5,997,794</b>	<b>5,454,615</b>	<b>21,263,968</b>	<b>17,016,759</b>
<b>Program Expenses</b>						
General Government	2,974,088	3,064,441	0	0	2,974,088	3,064,441
Security of Persons and Property	4,194,846	4,442,690	0	0	4,194,846	4,442,690
Transportation	1,758,380	1,910,568	0	0	1,758,380	1,910,568
Public Health Services	257,895	263,223	0	0	257,895	263,223
Community and Economic Development	730,471	676,373	0	0	730,471	676,373
Leisure Time Services	1,012,419	1,001,159	0	0	1,012,419	1,001,159
Interest and Fiscal Charges	193,890	188,399	0	0	193,890	188,399
<i>Enterprise Operations:</i>						
Water	0	0	2,276,840	2,772,807	2,276,840	2,772,807
Sewer	0	0	3,244,550	2,354,562	3,244,550	2,354,562
<b>Total Program Expenses</b>	<b>11,121,989</b>	<b>11,546,853</b>	<b>5,521,390</b>	<b>5,127,369</b>	<b>16,643,379</b>	<b>16,674,222</b>
<b>Increase in Net Assets</b>						
Before Transfers	4,144,185	15,291	476,404	327,246	4,620,589	342,537
Transfers	0	(341,579)	0	341,579	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 4,144,185</b>	<b>\$ (326,288)</b>	<b>\$ 476,404</b>	<b>\$ 668,825</b>	<b>\$ 4,620,589</b>	<b>\$ 342,537</b>

**City of Cambridge**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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**Governmental Activities**

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.

The City's income tax is at a rate of 2.0 percent, which is an increase of 0.5 percent from the previous rate of 1.5 percent. The City began collecting the additional 0.5 percent income tax on January 1, 2010. 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.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

The increase in capital grants is due to an ODOT grant for the US route 22/40 project.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$4,194,846 represents 38 percent of the total governmental activities expenses. The police department operates out of the General fund and the fire department operates out of the Fire fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,758,380, or 16 percent of total governmental activities expenses, during 2011.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,270,314 in 2011 equaling 11 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2011, charges for services of \$5,573,337 accounted for 93 percent of the business type revenues. The total expenses for the utilities were \$5,521,390, thus leaving an increase in net assets of \$476,404 for the business-type activities.

Capital grants in the business-type activities increased due to ODOT project for US route 22/40. The grant also included money for new waterlines.

***The City's Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$15,605,964 and expenditures and other financing uses of \$14,792,186. The resulting net change in fund balance from 2010 to 2011 was an increase of \$813,778, primarily due to the increase in transportation and debt service expenditures. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

**City of Cambridge**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All enterprise funds had operating revenues of \$5,583,364, which exceeded operating expenses of \$4,345,820 by \$1,237,544 or 22 percent of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in the enterprise funds.

***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 2011, the City amended its general fund budget on various occasions. 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.

For the general fund, the final budget basis revenue was \$6,287,679, representing an increase of \$38,613 over the original budget estimate of \$6,249,066. Most of this difference was attributable to an increase in final budget amounts for other revenues.

Final appropriations of \$5,812,366 (excluding other financing uses) were \$150,549 higher than the \$5,661,817 (excluding other financing uses) in the original budget and \$155,789 higher than the actual expenditures of \$5,656,577 (excluding other financing uses), as cost savings were recognized throughout the year.

**City of Cambridge**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2011  
(Unaudited)

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2011, the City had \$41,909,498 invested in land, infrastructure, buildings, improvements other than buildings, equipment, furniture and fixtures, water and sewer lines, vehicles and construction in progress. A total of \$23,668,624 of this was for governmental activities and \$18,240,874 being attributable to business-type activities. Table 3 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,238,725	\$ 2,238,725	\$ 201,041	\$ 201,041	\$ 2,439,766	\$ 2,439,766
Infrastructure	10,257,945	10,566,922	0	0	10,257,945	10,566,922
Land Improvements	51,206	57,009	0	0	51,206	57,009
Buildings	6,030,941	6,203,195	4,086,126	4,442,404	10,117,067	10,645,599
Improvements Other Than Buildings	678,988	688,731	6,578,689	7,362,806	7,257,677	8,051,537
Machinery and Equipment	941,030	833,712	612,669	480,453	1,553,699	1,314,165
Furniture and Fixtures	32,682	37,029	0	0	32,682	37,029
Vehicles	167,728	87,370	17,362	35,460	185,090	122,830
Water Lines	0	0	3,389,856	2,064,303	3,389,856	2,064,303
Sewer Lines	0	0	3,199,731	3,275,171	3,199,731	3,275,171
Construction in Progress	3,269,379	545,588	155,400	17,180	3,424,779	562,768
Totals	<u>\$ 23,668,624</u>	<u>\$ 21,258,281</u>	<u>\$ 18,240,874</u>	<u>\$ 17,878,818</u>	<u>\$ 41,909,498</u>	<u>\$ 39,137,099</u>

The \$2,772,399 increase in capital assets was largely related to the US route 22/40 project that is construction in process. Note 10 provides capital asset activity during the 2011 year. The City capitalized general infrastructure for governmental activities.

**City of Cambridge**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*(Unaudited)*

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**Debt**

The outstanding debt for the City of Cambridge as of December 31, 2011 was \$8,662,046. This balance reflected an increase of \$495,046 from the previous year's balance of \$8,167,000, an increase of 6 percent. Table 4 summarizes outstanding debt.

**(Table 4)**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 953,000	\$ 1,170,000	\$ 953,000	\$ 1,170,000
OWDA Loans	0	0	3,155,809	2,328,299	3,155,809	2,328,299
OPWC Loans	0	0	92,230	101,452	92,230	101,452
General Obligation Bonds	3,982,556	4,087,274	0	0	3,982,556	4,087,274
US Bank Car Loan	9,950	0	0	0	9,950	0
Police and Fire Pension	468,501	479,975	0	0	468,501	479,975
<i>Total</i>	<u>\$ 4,461,007</u>	<u>\$ 4,567,249</u>	<u>\$ 4,201,039</u>	<u>\$ 3,599,751</u>	<u>\$ 8,662,046</u>	<u>\$ 8,167,000</u>

The general obligation bonds are composed of courthouse facility bonds that were used for the construction of a new municipal building.

The mortgage revenue bonds refunded water system bonds. The principal and interest for these bonds are paid from charges for services.

Additional information concerning the City's debt can be found in Note 16 to the basic financial statements.

***Economic Factors***

In 2011, the news of the oil and gas industry coming to Cambridge brought some optimism for the community. This has been seen in the new investment into existing properties throughout the County. Several projects that were planned a few years ago also tied to the optimism very well. We have new areas prepared for both industrial and commercial growth. The Campbell Avenue project and the Wheeling Avenue project both have good timing for us to be prepared to accept new growth. We have typically used the CDBG, Formula, ODOT, and OPWC as funding sources for all our capital improvement projects. The ability to provide a local match has made us successful. Unfortunately, we have also seen a rise in fuel cost which deeply impacts all our activities on a daily basis. This, combined with the rising cost of health care, has forced us to raise water rates slightly over the next year to ensure we have adequate funds to provide the level of service our customers have come to expect.

***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, 1131 Steubenville Ave., Cambridge, Ohio 43725 or email camb-auditor@cambridgeoh.org.

**City of Cambridge**  
*Statement of Net Assets*  
*December 31, 2011*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,597,341	\$ 4,701,874	\$ 8,299,215
Cash and Cash Equivalents in Segregated Accounts	553,266	0	553,266
Taxes Receivable	3,432,566	0	3,432,566
Accounts Receivable	118,369	1,079,215	1,197,584
Intergovernmental Receivable	2,419,372	413,177	2,832,549
Loans Receivable	64,894	0	64,894
Special Assessments Receivable	69,580	0	69,580
Internal Balances	(67,451)	67,451	0
Materials and Supplies Inventory	18,033	20,135	38,168
Prepaid Items	10,749	8,093	18,842
Deferred Charges	156,638	0	156,638
Restricted Assets:			
Cash and Cash Equivalents	716,612	201,766	918,378
Non-Depreciable Capital Assets	5,508,104	356,441	5,864,545
Depreciable Capital Assets, Net	18,160,520	17,884,433	36,044,953
<i>Total Assets</i>	<u>34,758,593</u>	<u>24,732,585</u>	<u>59,491,178</u>
<b>Liabilities</b>			
Accounts Payable	48,766	69,696	118,462
Accrued Wages	212,276	53,481	265,757
Contracts Payable	405,202	1,526	406,728
Intergovernmental Payable	304,739	50,209	354,948
Accrued Vacation Leave Payable	189,793	76,843	266,636
Accrued Interest Payable	17,941	3,002	20,943
Customer Deposits Payable	0	201,766	201,766
Claims Payable	8,330	0	8,330
Deferred Revenue	1,399,551	0	1,399,551
Long-Term Liabilities:			
Due Within One Year	239,105	624,121	863,226
Due in More Than One Year	5,128,345	3,710,219	8,838,564
<i>Total Liabilities</i>	<u>7,954,048</u>	<u>4,790,863</u>	<u>12,744,911</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	19,676,600	14,039,835	33,716,435
Restricted for Debt Service	47,798	0	47,798
Restricted for Capital Outlay	1,270,143	0	1,270,143
Restricted for Other Purposes	3,799,255	0	3,799,255
Unrestricted	2,010,749	5,901,887	7,912,636
<i>Total Net Assets</i>	<u>\$ 26,804,545</u>	<u>\$ 19,941,722</u>	<u>\$ 46,746,267</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
**Statement of Activities**  
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 2,974,088	\$ 827,930	\$ 0	\$ 0	\$ (2,146,158)	\$ 0	\$ (2,146,158)
Security of Persons and Property	4,194,846	430,303	425,885	0	(3,338,658)	0	(3,338,658)
Public Health	257,895	223,072	2,000	0	(32,823)	0	(32,823)
Leisure Time Services	1,012,419	310,501	17,350	0	(684,568)	0	(684,568)
Community and Economic Development	730,471	29,528	617,283	0	(83,660)	0	(83,660)
Transportation	1,758,380	0	488,460	3,454,919	2,184,999	0	2,184,999
Interest and Fiscal Charges	193,890	0	0	0	(193,890)	0	(193,890)
<i>Total Governmental Activities</i>	<u>11,121,989</u>	<u>1,821,334</u>	<u>1,550,978</u>	<u>3,454,919</u>	<u>(4,294,758)</u>	<u>0</u>	<u>(4,294,758)</u>
<b>Business-Type Activities:</b>							
Sewer Fund	2,276,840	2,985,332	0	301,619	0	1,010,111	1,010,111
Water Fund	3,244,550	2,588,005	0	111,558	0	(544,987)	(544,987)
<i>Total Business-Type Activities</i>	<u>5,521,390</u>	<u>5,573,337</u>	<u>0</u>	<u>413,177</u>	<u>0</u>	<u>465,124</u>	<u>465,124</u>
<i>Total - Primary Government</i>	<u>\$ 16,643,379</u>	<u>\$ 7,394,671</u>	<u>\$ 1,550,978</u>	<u>\$ 3,868,096</u>	<u>(4,294,758)</u>	<u>465,124</u>	<u>(3,829,634)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					284,206	0	284,206
Police and Fire Services					1,144,844	0	1,144,844
Income Taxes Levied for:							
General Purposes					4,692,508	0	4,692,508
Other Purposes					1,364,738	0	1,364,738
Grants and Entitlements not Restricted to Specific Programs					845,491	0	845,491
Investment Earnings					37,289	1,253	38,542
Miscellaneous					69,867	10,027	79,894
<i>Total General Revenues</i>					<u>8,438,943</u>	<u>11,280</u>	<u>8,450,223</u>
<i>Change in Net Assets</i>					<u>4,144,185</u>	<u>476,404</u>	<u>4,620,589</u>
<i>Net Assets, Beginning of Year (Restated, See Note 4)</i>					<u>22,660,360</u>	<u>19,465,318</u>	<u>42,125,678</u>
<i>Net Assets, End of Year</i>					<u>\$ 26,804,545</u>	<u>\$ 19,941,722</u>	<u>\$ 46,746,267</u>

See accompanying notes to the basic financial statements.



**City of Cambridge**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2011*

	General	Fire	Campbell/ Woodlawn Avenue	Route 40 Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 583,560	\$ 168,230	\$ 0	\$ 0	\$ 2,845,551	\$ 3,597,341
Cash and Cash Equivalents in Segregated Accounts	34,705	0	0	0	314,484	349,189
Taxes Receivable	1,614,926	1,362,787	0	0	454,853	3,432,566
Accounts Receivable	78,741	2,652	0	0	36,976	118,369
Intergovernmental Receivable	264,267	65,375	439,660	751,292	898,778	2,419,372
Loans Receivable	0	0	0	0	64,894	64,894
Special Assessments Receivable	0	0	0	0	69,580	69,580
Materials and Supplies Inventory	0	0	0	0	18,033	18,033
Prepaid Items	6,838	843	0	0	3,068	10,749
Restricted Assets:						
Cash and Cash Equivalents	0	0	0	0	716,612	716,612
<i>Total Assets</i>	<u>\$ 2,583,037</u>	<u>\$ 1,599,887</u>	<u>\$ 439,660</u>	<u>\$ 751,292</u>	<u>\$ 5,422,829</u>	<u>\$ 10,796,705</u>
<b>Liabilities</b>						
Accounts Payable	27,257	3,535	0	0	17,974	48,766
Accrued Wages	125,556	44,136	0	0	42,584	212,276
Contracts Payable	0	0	377,569	0	27,633	405,202
Intergovernmental Payable	174,224	103,150	0	0	27,365	304,739
Advances from Other Funds	0	0	0	0	21,782	21,782
Deferred Revenue	862,830	1,427,267	210,100	673,788	1,041,946	4,215,931
<i>Total Liabilities</i>	<u>1,189,867</u>	<u>1,578,088</u>	<u>587,669</u>	<u>673,788</u>	<u>1,179,284</u>	<u>5,208,696</u>
<b>Fund Balances</b>						
Nonspendable	40,813	843	0	0	21,101	62,757
Restricted	0	20,956	0	77,504	4,214,175	4,312,635
Committed	0	0	0	0	39,276	39,276
Assigned	153,844	0	0	0	0	153,844
Unassigned	1,198,513	0	(148,009)	0	(31,007)	1,019,497
<i>Total Fund Balances</i>	<u>1,393,170</u>	<u>21,799</u>	<u>(148,009)</u>	<u>77,504</u>	<u>4,243,545</u>	<u>5,588,009</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,583,037</u>	<u>\$ 1,599,887</u>	<u>\$ 439,660</u>	<u>\$ 751,292</u>	<u>\$ 5,422,829</u>	<u>\$ 10,796,705</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

<b>Total Governmental Fund Balances</b>		\$ 5,588,009
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,668,624
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 404,634	
Income Tax	448,420	
Intergovernmental Charges for Services	1,893,747	
Total	69,579	2,816,380
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		150,078
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(17,941)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		156,638
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,785,000)	
Capital Appreciation Bonds	(19,656)	
Bond Accretion	(20,944)	
Unamortized Bond Premium	(156,956)	
Accrued Vacation Payable	(189,793)	
Police Car Loan	(9,950)	
Capital Leases	(187,050)	
Police and Fire Pension	(468,501)	
Compensated Absences	(719,393)	
Total	(5,557,243)	(5,557,243)
<i>Net Assets of Governmental Activities</i>		<b>\$ 26,804,545</b>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Fire	Campbell/ Woodlawn Avenue	Route 40 Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 291,815	\$ 1,079,665	\$ 0	\$ 0	\$ 75,796	\$ 1,447,276
Income Taxes	4,608,977	0	0	0	1,338,055	5,947,032
Special Assessments	0	0	0	0	7,325	7,325
Charges for Services	232,307	175,304	0	0	172,840	580,451
Licenses and Permits	146,333	0	0	0	0	146,333
Fines and Forfeitures	525,843	0	0	0	421,969	947,812
Intergovernmental	794,938	266,622	532,077	2,036,854	1,716,851	5,347,342
Interest	36,077	0	0	0	18,204	54,281
Rent	24,399	100	0	0	0	24,499
Contributions and Donations	20,450	147	0	0	0	20,597
Other	43,965	4,513	0	0	21,389	69,867
<i>Total Revenues</i>	<u>6,725,104</u>	<u>1,526,351</u>	<u>532,077</u>	<u>2,036,854</u>	<u>3,772,429</u>	<u>14,592,815</u>
<b>Expenditures</b>						
Current:						
General Government	2,696,205	0	0	0	201,819	2,898,024
Security of Persons and Property	2,175,438	1,504,966	0	0	570,507	4,250,911
Public Health	0	0	0	0	240,219	240,219
Leisure Time Services	755,705	0	0	0	56,806	812,511
Community and Economic Development	217,432	0	0	0	680,970	898,402
Transportation	120,000	0	0	0	977,951	1,097,951
Capital Outlay	118,369	0	680,086	1,959,350	517,592	3,275,397
Debt Service:						
Principal Retirements	21,997	47,650	0	0	144,931	214,578
Interest and Fiscal Charges	0	6,977	0	0	176,345	183,322
<i>Total Expenditures</i>	<u>6,105,146</u>	<u>1,559,593</u>	<u>680,086</u>	<u>1,959,350</u>	<u>3,567,140</u>	<u>13,871,315</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>619,958</u>	<u>(33,242)</u>	<u>(148,009)</u>	<u>77,504</u>	<u>205,289</u>	<u>721,500</u>
<b>Other Financing Sources and (Uses)</b>						
Transfers In	0	350,000	0	0	570,871	920,871
Proceeds of Loans	9,950	0	0	0	0	9,950
Inception of Capital Lease	82,328	0	0	0	0	82,328
Transfers Out	(688,519)	(232,352)	0	0	0	(920,871)
<i>Total Other Financing Sources and (Uses)</i>	<u>(596,241)</u>	<u>117,648</u>	<u>0</u>	<u>0</u>	<u>570,871</u>	<u>92,278</u>
<i>Net Change in Fund Balance</i>	23,717	84,406	(148,009)	77,504	776,160	813,778
<i>Fund Balance, Beginning of Year (Restated, See Note 4)</i>	<u>1,369,453</u>	<u>(62,607)</u>	<u>0</u>	<u>0</u>	<u>3,467,385</u>	<u>4,774,231</u>
<i>Fund Balance, End of Year</i>	<u>\$ 1,393,170</u>	<u>\$ 21,799</u>	<u>\$ (148,009)</u>	<u>\$ 77,504</u>	<u>\$ 4,243,545</u>	<u>\$ 5,588,009</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*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, 2011*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	813,778
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*Amounts reported for governmental activities in the statement  
of activities are different because*

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

Capital Asset Additions	\$ 3,495,357	
Current Year Depreciation	<u>(1,066,456)</u>	2,428,901

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(18,558)

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

Delinquent Property Taxes	(18,225)	
Income Tax	110,212	
Intergovernmental	587,486	
Charges for Services	<u>(7,326)</u>	672,147

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest	738	
Accretion on Capital Appreciation Bonds	(11,319)	
Bond Issuance Costs	(6,024)	
Bond Premium Amortization	<u>6,037</u>	(10,568)

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

Police and Fire Pension	11,474	
General Obligation Bonds	110,000	
Capital Leases	<u>93,104</u>	214,578

General obligation bond proceeds in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Inception of Capital Leases	(82,328)	
Proceeds from Loans	<u>(9,950)</u>	(92,278)

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 Payable	(497)	
Compensated Absences	<u>85,000</u>	84,503

The internal service funds used by management to charge the cost of insurance to individual funds in not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

51,682

*Change in Net Assets of Governmental Activities*

\$ 4,144,185

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2011*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$ 280,500	\$ 280,500	\$ 291,815	\$ 11,315
Income Taxes	4,490,000	4,490,000	4,647,360	157,360
Charges for Services	1,000	2,000	5,150	3,150
Licenses and Permits	136,500	136,500	144,736	8,236
Fines and Forfeitures	551,000	551,000	521,916	(29,084)
Intergovernmental	669,066	669,066	811,243	142,177
Interest	90,000	90,000	36,077	(53,923)
Rent	15,000	15,000	21,330	6,330
Contributions and Donations	0	3,100	3,100	0
Other	16,000	50,513	41,691	(8,822)
<i>Total Revenues</i>	<u>6,249,066</u>	<u>6,287,679</u>	<u>6,524,418</u>	<u>236,739</u>
<b>Expenditures</b>				
Current:				
General Government	2,730,796	2,803,721	2,691,689	112,032
Security of Persons and Property	2,146,974	2,182,349	2,148,716	33,633
Leisure Time Services	555,300	560,300	554,788	5,512
Community and Economic Development	206,750	221,750	217,138	4,612
Capital Outlay	0	22,249	22,249	0
Debt Service:				
Principal Retirements	21,997	21,997	21,997	0
<i>Total Expenditures</i>	<u>5,661,817</u>	<u>5,812,366</u>	<u>5,656,577</u>	<u>155,789</u>
<i>Excess of Revenues Over Expenditures</i>	<u>587,249</u>	<u>475,313</u>	<u>867,841</u>	<u>392,528</u>
<b>Other Financing Sources and (Uses)</b>				
Proceeds from Loans	0	0	9,950	9,950
Transfers Out	(818,000)	(818,519)	(818,519)	0
Total Other Financing Sources and (Uses)	<u>(818,000)</u>	<u>(818,519)</u>	<u>(808,569)</u>	<u>9,950</u>
<i>Net Change in Fund Balance</i>	(230,751)	(343,206)	59,272	402,478
<i>Fund Balance, Beginning of Year</i>	343,619	343,619	343,619	0
Prior Year Encumbrances Appropriated	18,193	18,193	18,193	0
<i>Fund Balance, End of Year</i>	<u>\$ 131,061</u>	<u>\$ 18,606</u>	<u>\$ 421,084</u>	<u>\$ 402,478</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Fund*  
*For the Year Ended December 31, 2011*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$ 1,030,000	\$ 1,030,000	\$ 1,079,665	\$ 49,665
Charges for Services	172,652	172,652	172,652	0
Intergovernmental	361,000	361,000	265,727	(95,273)
Rent	100	100	100	0
Contributions and Donations	0	0	147	147
Other	5,000	5,000	4,513	(487)
<i>Total Revenues</i>	<u>1,568,752</u>	<u>1,568,752</u>	<u>1,522,804</u>	<u>(45,948)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,698,098	1,698,098	1,495,651	202,447
Debt Service:				
Principal Retirements	47,650	47,650	47,650	0
Interest and Fiscal Charges	6,977	6,977	6,977	0
<i>Total Expenditures</i>	<u>1,752,725</u>	<u>1,752,725</u>	<u>1,550,278</u>	<u>202,447</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(183,973)</u>	<u>(183,973)</u>	<u>(27,474)</u>	<u>156,499</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers In	350,000	350,000	350,000	0
Transfers Out	(232,352)	(232,352)	(232,352)	0
Total Other Financing Sources and (Uses)	<u>117,648</u>	<u>117,648</u>	<u>117,648</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(66,325)	(66,325)	90,174	156,499
<i>Fund Balance, Beginning of Year</i>	69,545	69,545	69,545	0
Prior Year Encumbrances Appropriated	4,506	4,506	4,506	0
<i>Fund Balance, End of Year</i>	<u>\$ 7,726</u>	<u>\$ 7,726</u>	<u>\$ 164,225</u>	<u>\$ 156,499</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2011*

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,855,583	\$ 1,846,291	\$ 4,701,874	\$ 0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	204,077
Accounts Receivable	624,116	455,099	1,079,215	0
Intergovernmental Receivable	301,619	111,558	413,177	0
Materials and Supplies Inventory	0	20,135	20,135	0
Prepaid Items	3,507	4,586	8,093	0
<i>Total Current Assets</i>	<u>3,784,825</u>	<u>2,437,669</u>	<u>6,222,494</u>	<u>204,077</u>
<i>Non-Current Assets:</i>				
Restricted Cash and Cash Equivalents	0	201,766	201,766	0
Advances to Other Funds	10,891	10,891	21,782	0
Non-Depreciable Capital Assets	58,512	297,929	356,441	0
Depreciable Capital Assets, Net	10,583,107	7,301,326	17,884,433	0
<i>Total Non-Current Assets</i>	<u>10,652,510</u>	<u>7,811,912</u>	<u>18,464,422</u>	<u>0</u>
<i>Total Assets</i>	<u>14,437,335</u>	<u>10,249,581</u>	<u>24,686,916</u>	<u>204,077</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	53,834	15,862	69,696	0
Accrued Wages	25,096	28,385	53,481	0
Contracts Payable	0	1,526	1,526	0
Intergovernmental Payable	24,517	25,692	50,209	0
Accrued Vacation Leave Payable	38,122	38,721	76,843	0
Accrued Interest Payable	0	3,002	3,002	0
Customer Deposits Payable	0	201,766	201,766	0
Claims Payable	0	0	0	8,330
Compensated Absences Payable	4,517	2,259	6,776	0
Revenue Bonds Payable	0	223,000	223,000	0
OPWC Loan Payable	0	9,223	9,223	0
OWDA Loans Payable	141,493	243,629	385,122	0
<i>Total Current Liabilities</i>	<u>287,579</u>	<u>793,065</u>	<u>1,080,644</u>	<u>8,330</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	55,609	70,916	126,525	0
Revenue Bonds Payable - Net of Current Portion	0	730,000	730,000	0
OPWC Loan Payable - Net of Current Portion	0	83,007	83,007	0
OWDA Loans Payable - Net of Current Portion	227,178	2,543,509	2,770,687	0
<i>Total Long-Term Liabilities</i>	<u>282,787</u>	<u>3,427,432</u>	<u>3,710,219</u>	<u>0</u>
<i>Total Liabilities</i>	<u>570,366</u>	<u>4,220,497</u>	<u>4,790,863</u>	<u>8,330</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	10,272,951	3,766,884	14,039,835	0
Unrestricted	3,594,018	2,262,200	5,856,218	195,747
<i>Total Net Assets</i>	<u>\$ 13,866,969</u>	<u>\$ 6,029,084</u>	<u>19,896,053</u>	<u>\$ 195,747</u>

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

Net assets of business-type activities

45,669

\$ 19,941,722

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2011*

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
<b>Operating Revenues</b>				
Charges for Services	\$ 2,985,332	\$ 2,588,005	\$ 5,573,337	\$ 330,272
Other	5,531	4,496	10,027	0
<i>Total Operating Revenues</i>	<u>2,990,863</u>	<u>2,592,501</u>	<u>5,583,364</u>	<u>330,272</u>
<b>Operating Expenses</b>				
Personal Services	1,010,318	817,362	1,827,680	0
Contractual Services	376,684	129,800	506,484	784
Materials and Supplies	498,734	684,809	1,183,543	0
Claims	0	0	0	263,080
Depreciation	380,790	446,981	827,771	0
Other	342	0	342	0
<i>Total Operating Expenses</i>	<u>2,266,868</u>	<u>2,078,952</u>	<u>4,345,820</u>	<u>263,864</u>
<i>Operating Income</i>	<u>723,995</u>	<u>513,549</u>	<u>1,237,544</u>	<u>66,408</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	1,253	0	1,253	1,212
Intergovernmental	301,619	111,558	413,177	0
Interest and Fiscal Charges	(17,277)	(136,990)	(154,267)	0
Loss on Sale of Capital Assets	0	(1,037,241)	(1,037,241)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>285,595</u>	<u>(1,062,673)</u>	<u>(777,078)</u>	<u>1,212</u>
<i>Change in Net Assets</i>	<u>1,009,590</u>	<u>(549,124)</u>	<u>460,466</u>	<u>67,620</u>
<i>Net Assets, Beginning of Year</i>	<u>12,857,379</u>	<u>6,578,208</u>		<u>128,127</u>
<i>Net Assets, End of Year</i>	<u>\$ 13,866,969</u>	<u>\$ 6,029,084</u>		<u>\$ 195,747</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>15,938</u>	
Changes in Net Assets of Business-Type Activities			<u>\$ 476,404</u>	

See accompanying notes to the basic financial statements.



**City of Cambridge**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2011

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,951,351	\$ 2,593,518	\$ 5,544,869	\$ 330,272
Other Operating Receipts	5,531	4,496	10,027	0
Cash Payments to Suppliers for Goods and Services	(504,236)	(706,635)	(1,210,871)	0
Cash Payments to Employees	(1,010,937)	(802,817)	(1,813,754)	0
Cash Payments for Contractual Services	(365,325)	(179,150)	(544,475)	(784)
Claims Paid	0	0	0	(267,126)
<i>Net Cash Provided by Operating Activities</i>	1,076,384	909,412	1,985,796	62,362
<b>Cash Flows from Noncapital Financing Activities</b>				
Advances In	12,010	12,010	24,020	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	12,010	12,010	24,020	0
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from OWDA Loan	0	1,187,512	1,187,512	0
Acquisition of Capital Assets	(461,962)	(1,839,424)	(2,301,386)	0
Principal Payments on Debt	(136,500)	(449,724)	(586,224)	0
Interest Payments	(17,277)	(137,674)	(154,951)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(615,739)	(1,239,310)	(1,855,049)	0
<b>Cash Flows from Investing Activities</b>				
Interest	1,253	0	1,253	1,212
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	473,908	(317,888)	156,020	63,574
<i>Cash and Cash Equivalents, Beginning of Year</i>	2,381,675	2,365,945	4,747,620	140,503
<i>Cash and Cash Equivalents, End of Year</i>	\$ 2,855,583	\$ 2,048,057	\$ 4,903,640	\$ 204,077

(Continued)

**City of Cambridge**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2011

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 723,995	\$ 513,549	\$ 1,237,544	\$ 66,408
Adjustments:				
Depreciation	380,790	446,981	827,771	0
(Increase) Decrease in Assets:				
Accounts Receivable	(33,861)	5,537	(28,324)	0
Prepaid Items	175	2,325	2,500	0
Materials and Supplies Inventory	0	(3,212)	(3,212)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	5,904	(84,803)	(78,899)	0
Customer Deposits Payable	0	14,490	14,490	0
Matured Compensated Absences	0	0	0	0
Accrued Wages	(1,203)	(3,975)	(5,178)	0
Accrued Vacation Payable	411	3,404	3,815	0
Compensated Absences Payable	(7,987)	6,487	(1,500)	0
Claims Payable	0	0	0	(4,046)
Intergovernmental Payable	8,160	8,629	16,789	0
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,076,384</u>	<u>\$ 909,412</u>	<u>\$ 1,985,796</u>	<u>\$ 62,362</u>

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2011*

	Private Purpose Trust	Agency Fund
<b>Assets</b>		
Cash and Cash Equivalents in Segregated Accounts	\$ 50,261	\$ 253,435
Accounts Receivable	0	4,557
<i>Total Assets</i>	50,261	\$ 257,992
<b>Liabilities</b>		
Due to Others	0	\$ 257,992
<b>Net Assets</b>		
Held in Trust for Private Purposes	\$ 50,261	

See accompanying notes to the basic financial statements.

**City of Cambridge**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For The Year Ended December 31, 2011*

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	<u>Private Purpose Trust</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>\$ 160</u>
<i>Change in Net Assets</i>	(160)
<i>Net Assets, Beginning of Year</i>	<u>50,421</u>
<i>Net Assets, End of Year</i>	<u><u>\$ 50,261</u></u>

See accompanying notes to the basic financial statements.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**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.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (the “GASB”) Statement No. 14, “*The Financial Reporting Entity*” and No. 39, “*Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,*” in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization’s governing body and either (1) the City’s ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City’s financial reporting entity has no component units but includes all funds, 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 38 percent of the funds received by the Authority in 2011; however, the City is not financially accountable for the Authority.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the 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 assets 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.

**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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Campbell/Woodlawn Avenue Fund** The Campbell/Woodlawn Avenue capital improvement fund is used to account for grant monies used for improvement.

**Route 40 Improvement Fund** The Route 40 capital improvement fund is used to account for grant monies used for improvement.

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 assets, 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.

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

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

**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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust funds are private-purpose trust funds established to account for the funds used for money held for the upkeep of the cemetery. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for court collections that are distributed to various other City funds.

***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 all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

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

***D. Basis of Accounting***

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



**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 fiscal 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 Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Pooled Cash and Cash Equivalents***

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 cash equivalents."

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 2011, investments were limited to a certificate of deposit and money markets.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$36,077, which includes \$32,210 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 cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 6, "Deposits and Investments."

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Materials and Supplies Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies.

***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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 assets 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 assets 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 fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 and \$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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 - 30 Years	N/A
Buildings	10 - 50 Years	15 - 50 Years
Improvements Other Than Buildings	15 - 30 Years	25 - 65 Years
Machinery and Equipment	5 - 20 Years	5 - 25 Years
Furniture and Fixtures	5 - 20 Years	5 Years
Vehicles	4 - 10 Years	3 - 10 Years
Water/Sewer Lines	N/A	65 Years
Infrastructure	25 - 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 assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 fiscal 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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due. The unmatured portion of these obligations should be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2011, \$212,989 of the City's net assets were restricted by enabling legislation.

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

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***N. 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.

*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.

*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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***O. 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.

***P. 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.

***Q. 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 2011.

***R. 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.

***S. 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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

***T. Implementation of New Accounting Policies***

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 3: 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 fund and the fire major special revenue fund.

	<b>Net Change in Fund Balance</b>	
	General Fund	Fire Fund
GAAP Basis	\$ 23,717	\$ 84,406
Revenue accruals	118,741	(3,547)
Expenditure accruals	(71,238)	5,310
Encumbrances	22,384	4,005
** Funds budgeted elsewhere	(34,332)	0
Budget Basis	\$ 59,272	\$ 90,174

\*\* 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, recreation special activities fund, municipal trust fund, and indirect cost fund.



**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 4: RESTATEMENT OF FUND BALANCES AND NET ASSETS**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the City's governmental fund balances as previously reported:

	General Fund	Other Governmental
	<u>          </u>	<u>          </u>
Fund Balance Previously Reported at December 31, 2010	\$ 1,232,617	\$ 3,364,879
Fund reclassifications:		
Municipal Airport Fund	0	0
Tree Fund	3,322	(3,322)
Park User Fee Reserve Fund	96,955	(96,955)
Recreation Special Activities Fund	3,540	(3,540)
Municipal Trust Fund	32,289	0
Indirect Cost Fund	730	(730)
Municipal Court Building Project **	0	207,053
Restated Fund Balance at January 1, 2011	<u>\$ 1,369,453</u>	<u>\$ 3,467,385</u>

\*\* The municipal court building project was a major fund in 2010. The fund is not a major fund in 2011 and needed to be included in the other governmental beginning balance.

	Governmental Activities	Agency Fund
	<u>          </u>	<u>          </u>
Net Assets Previously Reported at December 31, 2010	\$ 22,628,071	\$ 243,058
Fund Reclassification:		
Municipal Trust Fund	32,289	(32,289)
Restated Net Assets at January 1, 2011	<u>\$ 22,660,360</u>	<u>\$ 210,769</u>

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 5: ACCOUNTABILITY**

The following funds had deficit balances as of December 31, 2011:

	<u>Deficit</u>
Major Fund:	
Campbell/Woodlawn Avenue	\$ 148,009
Non-major Governmental Funds:	
Bond Retirement	21,782
Cemetery	8,233
VOCA 2011 Grant	992

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

**NOTE 6: DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

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

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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 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 (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five 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.

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2011, the City and public depositories complied with the provisions of these statutes.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was \$9,357,943. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2011, \$8,918,032 of the City's bank balance of \$9,602,708 was exposed to custodial risk as discussed above, while \$684,676 was covered by Federal Deposit Insurance Corporation.

The City also has unspent monies of \$716,612 on deposit with the Ohio Department of Transportation for the Route 40 project.

**NOTE 7: 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 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 7: TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2011, was \$12.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 137,578,450
Tangible Personal Property	82,050
Public Utilities	<u>7,455,620</u>
Total	<u><u>\$ 145,116,120</u></u>

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.

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Cambridge. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**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.

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

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 8: RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$64,894. 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 9: INTERFUND ACTIVITY**

**A. Interfund Transfers**

Following is a summary of transfers in and out for all funds for 2011:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 688,519
Fire Fund	350,000	232,352
Non-Major Governmental Funds:		
Tree	0	0
Municipal Airport	0	0
Fire Pension	232,352	0
Police Pension	200,519	0
VOCA	1,643	0
Cemetery	136,357	0
Total Non-Major Governmental Funds	570,871	0
Total All Funds	\$ 920,871	\$ 920,871

The \$232,352 transfer from the Fire Fund to the Fire Pension Fund and the \$200,519 from the General Fund to the Police Pension Fund was for the purpose of pension payments to the Ohio Police and Fire Pension Fund.

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

**B. Interfund Balances**

During 2009, the Water and Sewer Funds each advanced \$22,901, totaling \$45,802 to the bond retirement fund to retire special assessment bonds early. These long-term advances will be repaid as the special assessments are collected each year. As of December 31, 2011, \$21,782 is outstanding.

**CITY OF CAMBRIDGE, OHIO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended December 31, 2011**

**NOTE 10: CAPITAL ASSETS**

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Transfers	Balance 12/31/2011
<b>Governmental Activities:</b>					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 2,238,725	\$ 0	\$ 0	\$ 0	\$ 2,238,725
Construction in Progress	545,588	2,723,791	0	0	3,269,379
<i>Total Capital Assets Not Being Depreciated</i>	<u>2,784,313</u>	<u>2,723,791</u>	<u>0</u>	<u>0</u>	<u>5,508,104</u>
<i>Capital Assets, Being Depreciated:</i>					
Land Improvements	121,584	0	0	0	121,584
Buildings	7,404,922	0	0	0	7,404,922
Improvements Other Than Buildings	1,853,415	77,930	0	0	1,931,345
Machinery and Equipment	2,670,749	259,192	(50,094)	0	2,879,847
Furniture and Fixtures	74,466	0	0	0	74,466
Vehicles	751,289	118,830	(81,810)	0	788,309
Infrastructure	15,916,396	315,614	0	0	16,232,010
<i>Total Capital Assets, Being Depreciated</i>	<u>28,792,821</u>	<u>771,566</u>	<u>(131,904)</u>	<u>0</u>	<u>29,432,483</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(64,575)	(5,803)	0	0	(70,378)
Buildings	(1,201,727)	(172,254)	0	0	(1,373,981)
Improvements Other Than Buildings	(1,164,684)	(87,673)	0	0	(1,252,357)
Machinery and Equipment	(1,837,037)	(133,316)	31,536	0	(1,938,817)
Furniture and Fixtures	(37,437)	(4,347)	0	0	(41,784)
Vehicles	(663,919)	(38,472)	81,810	0	(620,581)
Infrastructure	(5,349,474)	(624,591)	0	0	(5,974,065)
<i>Total Accumulated Depreciation</i>	<u>(10,318,853)</u>	<u>(1,066,456) *</u>	<u>113,346</u>	<u>0</u>	<u>(11,271,963)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>18,473,968</u>	<u>(294,890)</u>	<u>(18,558)</u>	<u>0</u>	<u>18,160,520</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 21,258,281</u>	<u>\$ 2,428,901</u>	<u>\$ (18,558)</u>	<u>\$ 0</u>	<u>\$ 23,668,624</u>

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 102,721
Leisure Time Services	200,729
Security of Persons and Property	60,885
Transportation	682,476
Community and Economic Development	1,407
Public Health	18,238
<b>Total</b>	<u>\$ 1,066,456</u>

**CITY OF CAMBRIDGE, OHIO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended December 31, 2011**

**NOTE 10: CAPITAL ASSETS (Continued)**

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in Progress	17,180	582,246	(444,026)	155,400
<i>Total Capital Assets Not Being Depreciated</i>	<u>218,221</u>	<u>582,246</u>	<u>(444,026)</u>	<u>356,441</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	10,320,691	0	(100,247)	10,220,444
Improvements Other Than Buildings	10,509,618	444,026	(1,225,769)	9,727,875
Machinery and Equipment	1,243,774	249,382	(151,415)	1,341,741
Furniture and Fixtures	34,591	0	0	34,591
Vehicles	584,446	0	(77,992)	506,454
Water Lines	3,555,168	1,407,330	0	4,962,498
Sewer Lines	5,780,498	0	0	5,780,498
<i>Total Capital Assets, Being Depreciated</i>	<u>32,028,786</u>	<u>2,100,738</u>	<u>(1,555,423)</u>	<u>32,574,101</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(5,878,287)	(356,278)	100,247	(6,134,318)
Improvements Other Than Buildings	(3,146,812)	(190,902)	188,528	(3,149,186)
Machinery and Equipment	(763,321)	(105,276)	139,525	(729,072)
Furniture and Fixtures	(34,591)	0	0	(34,591)
Vehicles	(548,986)	(18,098)	77,992	(489,092)
Water Lines	(1,490,865)	(81,777)	0	(1,572,642)
Sewer Lines	(2,505,327)	(75,440)	0	(2,580,767)
<i>Total Accumulated Depreciation</i>	<u>(14,368,189)</u>	<u>(827,771)</u>	<u>506,292</u>	<u>(14,689,668)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>17,660,597</u>	<u>1,272,967</u>	<u>(1,049,131)</u>	<u>17,884,433</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 17,878,818</u>	<u>\$ 1,855,213</u>	<u>\$ (1,493,157)</u>	<u>\$ 18,240,874</u>



**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 11: DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

Plan Description – 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$433,822, \$412,914 and \$301,655, respectively; 89.37 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$13,501 made by the City and \$18,901 made by the plan members.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)**

***B. Ohio Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2011, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. For 2010, this allocation was also 6.75 percent. The City's contributions to OP&F for police and firefighters were \$167,549 and \$202,248 for the fiscal year ended December 31, 2011, \$180,897 and \$162,532 for the year ended December 31, 2010 and \$147,876 and \$196,757 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 69.35 percent has been contributed for police and 70.19 percent has been contributed for firefighters for 2011.

***Medicare System***

All employees hired after April 1, 1986 are required to contribute to Medicare at a rate of 1.45 percent of their covered salary. The City of Cambridge is required to contribute 1.45 percent also. It is paid bi-weekly with the employee's federal withholding by bank transfer within three working days of the pay date. There is a liability reported under intergovernmental payables in each fund for Medicare on the accrued wages only. All other contributions were paid for the year.

**NOTE 12: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (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 plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, 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 members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$173,529, \$205,271 and \$248,564, respectively; 89.37 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

***B. Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check 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 Postemployment Benefit (OPEB) as described in GASB Statement 45.

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 healthcare 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. That report may be obtained by writing to OP&F, 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 required by Ohio Revised Code 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 employers, 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. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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 the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 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).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$88,703 and \$79,140 for the year ended December 31, 2011, \$95,769 and \$63,600 for the year ended December 31, 2010 and \$81,610 and \$75,213 for the year ended December 31, 2009. The full amount has been contributed for 2009 and 2008. 69.35 percent has been contributed for police and 70.19 percent has been contributed for firefighters for 2011.

**NOTE 14: CONTRACTUAL COMMITMENTS**

As of December 31, 2011, the City had contractual commitments for the following projects:

	<u>Commitment</u>	<u>Expended</u>	<u>12/31/2011</u>
Campbell Woodlawn Road and Waterline Parnell & Associates	\$ 1,353,000	525,537	827,463
8th Street Project Jobs Henderson & Associates	93,900	79,520	14,380
	<u>\$ 1,446,900</u>	<u>\$ 605,057</u>	<u>\$ 841,843</u>

**NOTE 15: 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, 2011 the liability for unpaid compensated absences was \$852,694.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 16: LONG-TERM OBLIGATIONS**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
General Obligation Bonds:			
Courthouse Facilities Improvement Bonds-2009			
Serial Bonds	2.00%-3.00%	\$ 770,000	12/1/2016
Capital Appreciation Bonds	35.50%	19,656	12/1/2019
Term Bonds	3.75%-4.50%	3,210,000	12/1/2037
U.S. Bank Car Loan - 2011	2.49%	9,950	4/1/2014
<b>Business-Type Activities:</b>			
Water System Refunding Bonds - 2005	3.78%	1,958,000	12/1/2015
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
Sludge Facility - 1999	4.04%	3,873,566	7/1/2018
Digester and Sewer Lining - 2004	3.50%	877,877	1/1/2014
Sludge Press - 2010	3.86%	251,342	7/1/2015

**CITY OF CAMBRIDGE, OHIO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended December 31, 2011**

**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

Changes in long-term obligations of the City during the year ended December 31, 2011 consisted of the following:

	<u>Principal Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2011</u>	<u>Due in One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds:					
2009 Courthouse Facilities Improvement Bonds					
Serial and Term Bonds	\$ 3,895,000	\$ 0	\$ (110,000)	\$ 3,785,000	\$ 110,000
Capital Appreciation Bonds	19,656	0	0	19,656	0
Accretion on Capital Appreciation Bonds	9,625	11,319	0	20,944	0
Unamortized Premium	162,993	0	(6,037)	156,956	0
	<u>4,087,274</u>	<u>11,319</u>	<u>(116,037)</u>	<u>3,982,556</u>	<u>110,000</u>
<b>Total General Obligation Bonds</b>	<b>4,087,274</b>	<b>11,319</b>	<b>(116,037)</b>	<b>3,982,556</b>	<b>110,000</b>
<b>Other Long-Term Obligations:</b>					
Compensated absences	804,393	16,643	(101,643)	719,393	20,150
U.S. Bank Car Loan	0	9,950	0	9,950	3,253
Capital leases	197,826	82,328	(93,104)	187,050	93,734
Accrued pension liability	479,975	0	(11,474)	468,501	11,968
	<u>1,482,194</u>	<u>108,921</u>	<u>(206,221)</u>	<u>1,384,894</u>	<u>129,105</u>
<b>Total other long-term obligations</b>	<b>1,482,194</b>	<b>108,921</b>	<b>(206,221)</b>	<b>1,384,894</b>	<b>129,105</b>
<b>Total governmental activities long-term debt and other long-term obligations</b>	<b><u>\$ 5,569,468</u></b>	<b><u>\$ 120,240</u></b>	<b><u>\$ (322,258)</u></b>	<b><u>\$ 5,367,450</u></b>	<b><u>\$ 239,105</u></b>
	<u>Principal Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2011</u>	<u>Due in One Year</u>
<b>Business-Type Activities</b>					
<b>Long-Term Debt:</b>					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 1,170,000	\$ 0	\$ (217,000)	\$ 953,000	\$ 223,000
OWDA Loans:					
Water Line Replacement	0	1,187,512	(10,833)	1,176,679	22,282
Water Pollution Improvement	1,823,128	0	(212,669)	1,610,459	221,347
Digester and Sewer Lining	276,857	0	(89,103)	187,754	92,248
Sludge Press	228,314	0	(47,397)	180,917	49,245
Total OWDA Loans	<u>2,328,299</u>	<u>1,187,512</u>	<u>(360,002)</u>	<u>3,155,809</u>	<u>385,122</u>
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	101,452	0	(9,222)	92,230	9,223
<b>Total Business-Type Activities Long-Term Debt</b>	<b>3,599,751</b>	<b>1,187,512</b>	<b>(586,224)</b>	<b>4,201,039</b>	<b>617,345</b>
<b>Other Long-Term Obligations:</b>					
Compensated absences	134,801	11,960	(13,460)	133,301	6,776
<b>Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations</b>	<b><u>\$ 3,734,552</u></b>	<b><u>\$ 1,199,472</u></b>	<b><u>\$ (599,684)</u></b>	<b><u>\$ 4,334,340</u></b>	<b><u>\$ 624,121</u></b>

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2011 was \$744,757 in principal and interest payments through the year 2035. Only the principal amount of \$468,501 is included in the Governmental Activities as a long-term liability. Payments are made from property tax receipts into the police and fire pension special revenue funds.

On September 13, 2005, the City issued \$1,958,000 of mortgage revenue term bonds. The bonds refunded \$2,375,000 of outstanding 1995 Water System Improvement Serial and Term Bonds. The bonds were issued for a ten-year period with final maturity date of December 1, 2015. At the date of refunding, \$2,472,515 (including underwriting fees and other issuance costs) was received to pay off old debt.

The mortgage revenue bonds, the Ohio Public Works Commission (OPWC) loan, the Ohio Water Development Authority (OWDA) loans will be paid from charges for services from the water and sewer funds. Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid.

General obligation bonds will be paid from tax revenues in the debt service fund. Compensated absences will be paid from the fund that the salary was paid from.

**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 bonds were issued with a premium of \$169,030, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$6,037. The issuance costs of \$168,687 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$6,024.

The serial bonds were issued with a varying interest rate of 3.75-4.50 percent. The term bonds that mature in fiscal year 2023, with an interest rate of 3.75 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2020 and on each December thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year December 1	Principal Amount to be Redeemed
2020	\$ 125,000
2021	130,000
2022	135,000

Unless otherwise called for, redemption of the remaining \$140,000 principal amount of the bonds due December 1, 2023 is to be paid at stated maturity.



**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

The term bonds that mature in fiscal year 2026, with an interest rate of 4.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2020, and on each December thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year December 1	Principal Amount to be Redeemed
2024	\$ 145,000
2025	150,000

Unless otherwise called for, redemption of the remaining \$155,000 principal amount of the bonds due December 1, 2026 is to be paid at the stated maturity.

The term bonds due December 1, 2029, with an interest rate of 4.25 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2027 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year December 1	Principal Amount to be Redeemed
2027	\$ 160,000
2028	170,000

Unless otherwise called for, redemption of the remaining \$175,000 principal amount of the bonds due December 1, 2029 is to be paid at the stated maturity.

The term bonds that mature in fiscal year 2034, with an interest rate of 4.50 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year December 1	Principal Amount to be Redeemed
2030	\$ 185,000
2031	190,000
2032	200,000
2034	210,000

Unless otherwise called for, redemption of the remaining \$220,000 principal amount of the bonds due December 1, 2034 is to be paid at the stated maturity.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

The term bonds that mature in fiscal year 2037, with an interest rate of 4.50 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2035 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year December 1	Principal Amount to be Redeemed
2035	\$ 230,000
2036	240,000

Unless otherwise called for, redemption of the remaining \$250,000 principal amount of the bonds due December 1, 2037 is to be paid at the stated maturity.

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 fiscal year 2011, the accretion amount was \$11,319.

The term bonds maturing on or after December 1, 2023 will be subject to optional redemption, in whole or in part, at the option of the City, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing June 1, 2019 at the redemption price equal to the par amount thereof, plus accrued interest.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$4,201,039 of mortgage revenue bonds, 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 were 29.9 percent. The total principal and interest remaining to be paid on the loans is \$5,335,506. Principal and interest paid for the current year and total net revenues were \$741,175 and \$2,479,745, respectively.

On June 1, 2011, the City entered into an installment loan for \$9,950 with US Bank for two used police cars. The loan has three yearly installments of \$3,476 beginning in April 2012 with an interest rate of 2.49 percent. The final installment will be in April 2014.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

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

Years	Accrued Pension Liability		General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	11,968	19,785	110,000	151,413	0	0
2013	12,481	19,271	110,000	149,212	0	0
2014	13,017	18,735	115,000	146,738	0	0
2015	13,576	18,176	120,000	143,863	0	0
2016	14,160	17,593	120,000	140,563	0	0
2017-2021	80,460	78,303	255,000	680,125	19,656	355,344
2022-2026	99,289	59,474	725,000	583,400	0	0
2027-2031	122,525	36,239	880,000	423,422	0	0
2032-2036	101,026	8,679	1,100,000	209,250	0	0
2037-2041	0	0	250,000	11,250	0	0
Totals	<u>\$ 468,502</u>	<u>\$ 276,255</u>	<u>\$ 3,785,000</u>	<u>\$ 2,639,236</u>	<u>\$ 19,656</u>	<u>\$ 355,344</u>

Years	Police Car Loan		Total		
	Principal	Interest	Years	Principal	Interest
2012	3,253	223	2012	125,221	171,421
2013	3,307	169	2013	125,788	168,652
2014	3,390	86	2014	131,407	165,559
2015	0	0	2015	133,576	162,039
2016	0	0	2016	134,160	158,156
2017-2021	0	0	2017-2021	355,116	1,113,772
2022-2026	0	0	2022-2026	824,289	642,874
2027-2031	0	0	2027-2031	1,002,525	459,661
2032-2036	0	0	2032-2036	1,201,026	217,929
2037-2041	0	0	2037-2041	250,000	11,250
Totals	<u>\$ 9,950</u>	<u>\$ 478</u>	Totals	<u>\$ 4,283,108</u>	<u>\$ 3,271,313</u>

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

Years	Mortgage Revenue Bonds		OWDA Loans		OPWC Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2012	223,000	36,024	385,122	119,285	9,223	617,345	155,309
2013	233,000	27,594	400,178	104,228	9,223	642,401	131,822
2014	244,000	18,786	316,950	89,439	9,223	570,173	108,225
2015	253,000	9,564	301,842	76,669	9,223	564,065	86,233
2016	0	0	285,624	65,008	9,223	294,847	65,008
2017-2021	0	0	554,543	203,930	46,115	600,658	203,930
2022-2026	0	0	174,659	157,517	0	174,659	157,517
2027-2031	0	0	210,520	121,657	0	210,520	121,657
2032-2036	0	0	253,744	78,432	0	253,744	78,432
2037-2041	0	0	272,626	26,335	0	272,626	26,335
Totals	<u>\$ 953,000</u>	<u>\$ 91,968</u>	<u>\$ 3,155,808</u>	<u>\$ 1,042,500</u>	<u>\$ 92,230</u>	<u>\$ 4,201,038</u>	<u>\$ 1,134,468</u>

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 17: CAPITAL LEASES – LESSEE DISCLOSURE**

In prior years the City entered into capitalized leases for the acquisition of a fire truck and street sweeper. In 2011, the City acquired a new capital lease for two 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 governmental activities in the amount of \$474,512, which is equal to the present value of the future minimum lease payments at the time of acquisition. 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, 2011:

		Governmental Activities Capital Leases
Year Ending December 31:	2012	\$ 102,533
	2013	76,624
	2014	<u>21,996</u>
Minimum lease payments		201,153
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(14,103)</u>
Present value of minimum lease payments		<u><u>\$ 187,050</u></u>

**NOTE 18: 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 \$330,272. The claims liability of \$8,330 reported in the Self-Insurance Fund at December 31, 2011 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, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

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**18: INSURANCE AND RISK MANAGEMENT (Continued)**

Changes in the City's claims liability amount in during 2010 and 2011 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Claims Expense</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2011	\$ 12,376	\$ 263,080	\$ 267,126	\$ 8,330
2010	\$ 8,244	\$ 198,191	\$ 194,059	\$ 12,376

**Risk Pool Membership**

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, the City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 2009, 2010 and 2011.

**Casualty Insurance**

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporations, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Insurance**

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop-loss limit for 2008 and 2007 was \$2,014,547 \$1,901,127 respectively.

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

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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**NOTE 18: INSURANCE AND RISK MANAGEMENT (Continued)**

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

<u>Casualty Coverage</u>	<u>2010</u>	<u>2009</u>
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Retained Earnings	<u>\$ 20,631,198</u>	<u>\$ 21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2011, the City's share of these unpaid claims collectible in future years is approximately \$100,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2009	\$ 125,522
2010	122,383
2011	107,242

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2011*

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***NOTE 19: 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, 2011, there were three series of Revenue Bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of \$13,975,000 and \$3,335,000, respectively.

***NOTE 20: CONTINGENCIES***

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally 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, 2011.

**CITY OF CAMBRIDGE, OHIO**  
*Notes to the Basic Financial Statements (Continued)*  
For the Year Ended December 31, 2011

**NOTE 21 – 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	Campbell Woodlawn Ave. Fund	Rt. 40 Improvement Fund	Other Governmental	Total
Nonspendable for:						
Inventory	\$ 0	\$ 0	0	0	\$ 18,033	\$ 18,033
Prepays	6,838	843	0	0	3,068	10,749
Unclaimed Monies	33,975	0	0	0	0	33,975
Total Nonspendable	<u>40,813</u>	<u>843</u>	<u>0</u>	<u>0</u>	<u>21,101</u>	<u>62,757</u>
Restricted for:						
Capital Outlay	0	0	0	77,504	426,595	504,099
Motor Vehicle & Gasoline Tax	0	0	0	0	43,842	43,842
Street Fund	0	0	0	0	190,806	190,806
Special Projects Fund	0	0	0	0	601,379	601,379
Street Improvement Fund	0	0	0	0	1,429,001	1,429,001
Municipal Court Fund	0	0	0	0	128,581	128,581
FEMA Fund	0	0	0	0	106,666	106,666
Northwood Cemetary Fund	0	0	0	0	519,128	519,128
Other Purposes	0	20,956	0	0	768,177	789,133
Total Restricted	<u>0</u>	<u>20,956</u>	<u>0</u>	<u>77,504</u>	<u>4,214,175</u>	<u>4,312,635</u>
Committed for:						
Park Side Tasty Treat Fund	0	0	0	0	9,111	9,111
Fire Capital Equipment Fund	0	0	0	0	25,000	25,000
Restricted Capital Improve. Fund	0	0	0	0	5,165	5,165
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,276</u>	<u>39,276</u>
Assigned for:						
Encumbrances	14,400	0	0	0	0	14,400
Other Purposes	139,444	0	0	0	0	139,444
Total Assigned	<u>153,844</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>153,844</u>
Unassigned	<u>1,198,513</u>	<u>0</u>	<u>(148,009)</u>	<u>0</u>	<u>(31,007)</u>	<u>1,019,497</u>
Total Fund Balance	<u>\$ 1,393,170</u>	<u>\$ 21,799</u>	<u>\$ (148,009)</u>	<u>77,504</u>	<u>\$ 4,243,545</u>	<u>\$ 5,588,009</u>



**CITY OF CAMBRIDGE  
GUERNSEY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Program:</i>			
Crime Victim Assistance	2011VA-GENE-029	16.575	\$15,443
	2012VA-GENE-029		3,481
Total Crime Victim Assistance			<u>18,924</u>
<i>Passed Through Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Formula Grant Program	2004-JG-A01-6283A	16.579	29
	2009-JG-A01-6283		2,967
Total Edward Byrne Memorial Formula Grant Program			<u>2,996</u>
<i>Direct Program:</i>			
ARRA - Public Safety Partnership and Community Policing Grants, Recovery Act	2009RKWX0675	16.710	99,102
Total U.S. Department of Justice			<u>121,022</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed Through Jefferson County Department of Development.</i>			
<i>Community Development Block Grants/Entitlement Grants:</i>			
Neighborhood Stabilization Program Grant	B-Z-08-03801	14.218	55,232
<i>Passed Through Ohio Department of Development:</i>			
<i>Community Development Block Grant/State's Program:</i>			
Community Development Program	A-F-09-2AS-1	14.228	295,565
Community Development Program	A-F-10-2AS-1		79,000
Downtown Revitalization Program	A-T-09-2AS-1		282,475
Community Housing Improvement Program	A-C-09-2AS-1		75,637
Total Community Development Block Grant/State's Program			<u>732,677</u>
Home Investment Partnerships Program	A-C-09-2AS-2	14.239	194,419
Total U.S. Department of Housing and Urban Development			<u>982,328</u>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID 81612	20.205	256,743
Total U.S. Department of Transportation			<u>256,743</u>
<b><u>U.S. Department of Energy</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	ARRA-EECBG-10-12	81.128	413,177
Total U.S. Department of Energy			<u>413,177</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed Through Ohio Department of Public Safety - Emergency Management Agency:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	4002-DR-059-10996	97.036	106,555
Total U.S. Department of Homeland Security			<u>106,555</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$1,879,825</u></u></b>

*The Notes to the Federal Awards Expenditures Schedule is an integral part of the Schedule.*

**CITY OF CAMBRIDGE  
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income households and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized equipment and mortgages.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$72,643
Loans made	0
Loan principal repaid	7,749
Ending loans receivable balance as of December 31, 2011	\$64,894
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$103,867
Administrative costs expended during 2011	\$0

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, \$1,225 are more than 90 days past due.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2012, wherein we noted the City has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected, and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. 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.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 13, 2012.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, City Council, federal awarding agencies, pass-through entities, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

September 13, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

### Compliance

We have audited the compliance of the City of Cambridge, Guernsey County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City's major federal programs for the year ended December 31, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Dave Yost**  
Auditor of State

September 13, 2012

**CITY OF CAMBRIDGE  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant/State's Program – CFDA #14.228  ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act - CFDA. #81.128
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

CITY OF CAMBRIDGE  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011  
(Continued)

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

**FINDING NUMBER 2011-01**

**Significant Deficiency**

The City is self-funded for the deductible portion of their health insurance plan. Claims and premiums are tracked through a self-insurance internal service fund.

The total charge by the internal service fund to the other funds for the period should (a) equal the expense and liability recognized or (b) be based on an actuarial method or historical cost information and adjusted over a reasonable period of time so that internal service fund revenue and expenses are approximately equal. If the charge by the internal service funds to the other funds is greater than that permitted by methods (a) or (b) above, the excess should be reported in both the internal service fund and the other funds as an interfund transfer.

The charges by the internal service fund to the other funds were not calculated by either of the methods described above and the amounts charged to the other funds exceeded the expenses and liabilities of the self-insurance fund.

Also, the allocation of internal service fund charges to other funds were not based on the actual number of covered employees by fund and coverage types, such as family versus single coverage. In addition, City employees were not paying a percentage of the plan deductible. Negotiated union agreements specified employees would contribute 14% of the monthly premium cost for 2011.

These matters could potentially materially misstate amounts charged to other funds and result in the City's self-insurance fund being funded with monies that could support general operations of the City.

We recommend the City review the current contributions and projected cost of claims to ensure the self-insurance fund is appropriately funded. In addition, we recommend employees be charged their share of the premium as specified in the negotiated agreements.

**Officials' Response:** We are currently reviewing the method used to charge each fund for health insurance. As well, we anticipate changing the employee share to include the deductible portion in the near future. We will be making these adjustments to insure the fund is appropriately funded.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**CITY OF CAMBRIDGE  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Rev. Code Section 5705.41(D)(1) for no prior certification of availability of funds prior to making an expenditure.	Yes	N/A.
2010-002	24 CFR Section 85.21(c) for not always expending Community Development Block Grant payments as required.	Yes	N/A.

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# Dave Yost • Auditor of State

**CITY OF CAMBRIDGE**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2012**