

CITY OF CAMBRIDGE
GUERNSEY COUNTY
SINGLE AUDIT
JANUARY 1, 2016 – DECEMBER 31, 2016





Dave Yost • Auditor of State

Members of City Council
City of Cambridge
1131 Steubenville Ave.
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the City of Cambridge, Guernsey County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Cambridge is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 14, 2017

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 23, 2017

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The discussion and analysis of the City of Cambridge's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- In total, net position increased \$1,320,867, which represents a 3 percent increase from 2015. Net position of governmental activities increased \$292,367. Net position of business-type activities increased \$1,028,500.
- Total capital assets increased \$1,891,504. Capital assets of governmental activities increased \$879,591 and capital assets of business-type activities increased \$1,011,913.
- Outstanding debt increased from \$6,233,117 to \$7,511,289 due to proceeds from an OWDA Loan for WWTP improvements.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2016 and how they affected the operations of the City as a whole.

Reporting the City of Cambridge as a Whole

Statement of Net Position and the Statement of Activities

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

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and deferred outflows of resources and *liabilities* and deferred inflows of resources using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

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

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

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

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

The City of Cambridge as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015:

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Current and Other Assets | \$ 10,929,961 | \$ 10,638,205 | \$ 13,658,472 | \$ 12,238,499 | \$ 24,588,433 | \$ 22,876,704 |
| Net Pension Asset | 0 | 4,215 | 0 | 2,062 | 0 | 6,277 |
| Capital Assets | 28,914,705 | 28,035,114 | 17,881,121 | 16,869,208 | 46,795,826 | 44,904,322 |
| <i>Total Assets</i> | <u>39,844,666</u> | <u>38,677,534</u> | <u>31,539,593</u> | <u>29,109,769</u> | <u>71,384,259</u> | <u>67,787,303</u> |
| Deferred Outflows of Resources | | | | | | |
| Pension | 3,345,836 | 1,327,341 | 773,136 | 244,527 | 4,118,972 | 1,571,868 |
| <i>Total Deferred Outflows of Resources</i> | <u>3,345,836</u> | <u>1,327,341</u> | <u>773,136</u> | <u>244,527</u> | <u>4,118,972</u> | <u>1,571,868</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 981,702 | 725,394 | 545,283 | 552,004 | 1,526,985 | 1,277,398 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 393,882 | 674,617 | 411,209 | 303,113 | 805,091 | 977,730 |
| Due in More Than One Year | | | | | | |
| Net Pension Liability | 11,988,420 | 9,250,236 | 2,035,003 | 1,366,145 | 14,023,423 | 10,616,381 |
| Other Amounts | 5,554,661 | 5,453,175 | 2,962,581 | 1,817,573 | 8,517,242 | 7,270,748 |
| <i>Total Liabilities</i> | <u>18,918,665</u> | <u>16,103,422</u> | <u>5,954,076</u> | <u>4,038,835</u> | <u>24,872,741</u> | <u>20,142,257</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes and Other | 1,833,829 | 1,804,215 | 0 | 0 | 1,833,829 | 1,804,215 |
| Pension | 98,760 | 50,357 | 39,321 | 24,629 | 138,081 | 74,986 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,932,589</u> | <u>1,854,572</u> | <u>39,321</u> | <u>24,629</u> | <u>1,971,910</u> | <u>1,879,201</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 24,349,153 | 23,328,755 | 14,827,269 | 14,912,673 | 39,034,357 * | 38,241,428 |
| Restricted | 3,909,737 | 3,770,685 | 0 | 0 | 3,909,737 | 3,770,685 |
| Unrestricted | (5,919,642) | (5,052,559) | 11,492,063 | 10,378,159 | 5,714,486 | 5,325,600 |
| <i>Total Net Position</i> | <u>\$ 22,339,248</u> | <u>\$ 22,046,881</u> | <u>\$ 26,319,332</u> | <u>\$ 25,290,832</u> | <u>\$ 48,658,580</u> | <u>\$ 47,337,713</u> |

*Debt related to certain governmental assets is included in the business-type activities. This debt has not been included in the net investment in capital assets for the business type or governmental activities but has been reflected in the entity-wide total. See Note 14.

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

Under the standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 66 percent of total assets. Capital assets include land, infrastructure, land improvements, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles and construction in progress. Net investment in capital assets was \$39,034,357 at December 31, 2016, with \$24,349,153 in governmental activities and \$14,827,269 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Intergovernmental receivable showed an increase of \$598,775 in governmental activities over 2015. The increase is due to the City was awarded two community development state grants in 2016.

The City's non-depreciable capital assets decreased by \$854,388 in governmental activities over 2015 primarily due to the completion of the Oakland Boulevard project in 2016. The completion of the Oakland Boulevard project was also the reason for the increase in governmental activities depreciable capital assets. The non-depreciable capital assets decreased by \$ 150,787 in the business-type activities due to the completion of the WWPC sewer line upgrade project in 2016. The completion of the WWPC sewer line upgrade project was also the reason for the increase in business-type activities depreciable capital assets.

Deferred outflows of resources increased \$2,018,495 in governmental activities and \$528,609 in business-type activities was caused by the net difference between projected and actual earnings on pension plan investments. There was a \$2,738,184 increase in net pension liability in governmental activities and \$668,858 increase in net pension liability in business-type activities during 2016, caused by the overall increases of the unfunded liability reported by the pension systems.

There was a \$174,253 increase in contracts payable in governmental activities. This was a result of two contracts for street improvement projects.

Long term liabilities due within one year of governmental activities decreased \$280,735. This decrease is mainly due to improvement bonds that matured in 2015.

A portion of the City's net position, \$3,909,737 or 8 percent represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$5,714,486 may be used to meet the government's ongoing obligations to citizens and creditors.

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2016 and 2015.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 1,724,470 | \$ 2,092,971 | \$ 7,156,624 | \$ 7,632,854 | \$ 8,881,094 | \$ 9,725,825 |
| Operating Grants, Contributions and Interest | 1,416,719 | 805,517 | 0 | 0 | 1,416,719 | 805,517 |
| Capital Grants, Contributions and Interest | 1,796,214 | 885,116 | 0 | 11,126 | 1,796,214 | 896,242 |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 1,958,177 | 1,800,758 | 0 | 0 | 1,958,177 | 1,800,758 |
| Income Taxes | 7,172,103 | 7,596,879 | 0 | 0 | 7,172,103 | 7,596,879 |
| Other Taxes | 278,661 | 337,391 | 0 | 0 | 278,661 | 337,391 |
| Grants and Entitlements | 460,051 | 391,631 | 0 | 0 | 460,051 | 391,631 |
| Investment Earnings | 97,078 | 38,161 | 175 | 182 | 97,253 | 38,343 |
| Miscellaneous | 84,043 | 95,982 | 18,524 | 23,608 | 102,567 | 119,590 |
| <i>Total Revenues</i> | <u>14,987,516</u> | <u>14,044,406</u> | <u>7,175,323</u> | <u>7,667,770</u> | <u>22,162,839</u> | <u>21,712,176</u> |
| Program Expenses | | | | | | |
| General Government | 3,549,350 | 3,481,890 | 0 | 0 | 3,549,350 | 3,481,890 |
| Security of Persons and Property | 6,122,482 | 5,460,400 | 0 | 0 | 6,122,482 | 5,460,400 |
| Public Health | 398,972 | 384,953 | 0 | 0 | 398,972 | 384,953 |
| Leisure Time Services | 1,153,756 | 1,182,262 | 0 | 0 | 1,153,756 | 1,182,262 |
| Community Development | 382,714 | 642,918 | 0 | 0 | 382,714 | 642,918 |
| Transportation | 3,038,628 | 2,960,533 | 0 | 0 | 3,038,628 | 2,960,533 |
| Interest and Fiscal Charges | 241,312 | 239,266 | 0 | 0 | 241,312 | 239,266 |
| <i>Enterprise Operations:</i> | | | | | | |
| Water | 0 | 0 | 3,099,907 | 2,764,437 | 3,099,907 | 2,764,437 |
| Sewer | 0 | 0 | 2,854,851 | 2,717,306 | 2,854,851 | 2,717,306 |
| <i>Total Program Expenses</i> | <u>14,887,214</u> | <u>14,352,222</u> | <u>5,954,758</u> | <u>5,481,743</u> | <u>20,841,972</u> | <u>19,833,965</u> |
| <i>Increase (Decrease) in Net Position</i> | 100,302 | (307,816) | 1,220,565 | 2,186,027 | 1,320,867 | 1,878,211 |
| Transfers | 192,065 | 0 | (192,065) | 0 | 0 | 0 |
| <i>Change in Net Position</i> | 292,367 | (307,816) | 1,028,500 | 2,186,027 | 1,320,867 | 1,878,211 |
| <i>Net Position Beginning of Year</i> | <u>22,046,881</u> | <u>22,354,697</u> | <u>25,290,832</u> | <u>23,104,805</u> | <u>47,337,713</u> | <u>45,459,502</u> |
| <i>Net Position End of Year</i> | <u>\$ 22,339,248</u> | <u>\$ 22,046,881</u> | <u>\$ 26,319,332</u> | <u>\$ 25,290,832</u> | <u>\$ 48,658,580</u> | <u>\$ 47,337,713</u> |

Governmental Activities

Charges for services decreased by \$368,501 primarily due to a decrease in fines and forfeitures collected in 2016. Operating grants, contributions and interest increased by \$611,202 primarily due to the receipt of a community development grant for downtown revitalization in 2016. Capital grants, contributions and interest increased by \$911,098 primarily due to the ODOT grant for Oakland Boulevard construction project that was awarded in 2016.

The \$662,082 increase in security of persons and property expense was caused by a change in net pension liability. The \$260,204 decrease in community development expense was primarily due to the timing of expenses related to multi-year grants from the U.S. Department of Housing and Urban Development.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

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

Police and fire (security of persons and property) represent the largest expense of the governmental activities. This expense of \$6,122,482 represents 41 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 (transportation) 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 \$3,038,628, or 20 percent of total governmental activities expenses, during 2016.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,552,728 in 2016 equaling 10 percent of the total governmental services expenses.

Business-Type Activities

Enterprise charges for services are up due to the oil and gas companies purchasing water for fracking.

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2016, charges for services of \$7,156,624 accounted for nearly 100 percent of the business type revenues. The total expenses for the utilities were \$5,954,758, thus leaving an increase in net position of \$1,028,500 for the business-type activities.

The water fund operation expenses for business-type activities \$335,470 increase was primarily due to an increase in contractual services expense.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$14,562,604 and expenditures of \$15,308,663. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The general fund's net change in fund balance for 2016 was a decrease of \$388,505, mostly due to a \$245,000 transfer out to help offset the cost to operate the cemetery.

The fund balance of the fire fund increased by \$138,361. This was mainly due to a reduction in equipment purchases from 2015.

The fund balance of the Oakland Boulevard fund had no change in fund balance for 2016, as all of grant revenue was expended on the project.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to \$6,233,772 and the unrestricted net position of the sewer fund was \$5,180,412. The water fund net position saw growth in 2016 of \$1,417,538 while the sewer funds saw a \$396,668 decrease in net position. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2016, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue of \$7,359,259 was \$911,947 higher compared to the final budget estimate of \$6,447,312. Most of this difference was attributable to budget income tax collections being under estimated compared to actual.

Final expenditure appropriations and other financing uses of \$7,589,826 were \$355,465 higher than the actual expenditures and other financing uses of \$7,234,361. This is a result of an overestimation of general government and security of persons and property appropriations.

Original expenditure appropriations and other financing uses of \$7,442,280 were \$147,546 lower than the final expenditure appropriations and other financing uses of \$7,589,826.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2016, the City had \$46,795,826 invested in capital assets. A total of \$28,914,705 of this was for governmental activities and \$17,881,121 being attributable to business-type activities. Table 3 shows 2016 balances compared with 2015.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 2,540,832 | \$ 2,490,923 | \$ 201,041 | \$ 201,041 | \$ 2,741,873 | \$ 2,691,964 |
| Construction in Progress | 138,837 | 1,043,134 | 117,290 | 268,077 | 256,127 | 1,311,211 |
| Infrastructure | 18,380,487 | 16,176,454 | 0 | 0 | 18,380,487 | 16,176,454 |
| Land Improvements | 27,255 | 30,310 | 0 | 0 | 27,255 | 30,310 |
| Buildings | 5,209,132 | 5,384,674 | 2,405,829 | 2,689,142 | 7,614,961 | 8,073,816 |
| Improvements Other | | | | | | |
| Than Buildings | 588,751 | 643,445 | 5,626,919 | 5,817,273 | 6,215,670 | 6,460,718 |
| Machinery and Equipment | 611,193 | 506,824 | 728,472 | 507,461 | 1,339,665 | 1,014,285 |
| Furniture and Fixtures | 23,420 | 26,407 | 58,215 | 81,501 | 81,635 | 107,908 |
| Vehicles | 1,394,798 | 1,732,943 | 54,054 | 85,557 | 1,448,852 | 1,818,500 |
| Water Lines | 0 | 0 | 3,893,079 | 3,980,687 | 3,893,079 | 3,980,687 |
| Sewers Lines | 0 | 0 | 4,796,222 | 3,238,469 | 4,796,222 | 3,238,469 |
| <i>Total</i> | <u>\$ 28,914,705</u> | <u>\$ 28,035,114</u> | <u>\$ 17,881,121</u> | <u>\$ 16,869,208</u> | <u>\$ 46,795,826</u> | <u>\$ 44,904,322</u> |

The \$879,591 increase in capital assets of governmental activities and \$1,011,913 in capital assets of business-type activities was attributable to current year purchases, completion of the Oakland Blvd reconstruction project and completion of a sewer line upgrade project exceeding depreciation. See Note 8 for additional information about the capital assets of the City.

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2016 was \$7,511,289. See Note 13 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ 3,544,820 | \$ 3,612,861 | \$ 0 | \$ 0 | \$ 3,544,820 | \$ 3,612,861 |
| OPWC Loans | 42,186 | 49,218 | 46,115 | 55,338 | 88,301 | 104,556 |
| OWDA Loans | 0 | 0 | 2,993,937 | 1,900,306 | 2,993,937 | 1,900,306 |
| Loan Payable | 480,932 | 197,935 | 0 | 0 | 480,932 | 197,935 |
| Police and Fire Pension | 403,299 | 417,459 | 0 | 0 | 403,299 | 417,459 |
| <i>Total</i> | <u>\$ 4,471,237</u> | <u>\$ 4,277,473</u> | <u>\$ 3,040,052</u> | <u>\$ 1,955,644</u> | <u>\$ 7,511,289</u> | <u>\$ 6,233,117</u> |

Economic Factors

We have several capital improvement projects planned for this year across all departments. We have the annual street resurfacing and the N5th Street Improvement projects in the street department. In the utilities department, the Browns Height waterline replacement and the Red Carpet force main/lift station replacement project will take place late summer to upgrade our infrastructure. And finally, the city will be renovating the former Huntington Bank building for the new home of the Cambridge Police Department.

We also have a few projects planned for 2018. The renovation project for the Police Department will be finished in 2018. We will be performing the annual street resurfacing project, and ODOT will be managing the Dewey Ave streetscape project. In the water department, we plan to replace waterlines in the Edgeworth Addition and continue to make minor upgrades at the water plant. In the sewer department, we will be upgrading the SCADA system in the collection system and at the sewer plant. We also plan to replace the primary clarifier equipment at the sewer plant.

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
Guernsey County, Ohio
Statement of Net Position
December 31, 2016

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 5,450,558 | \$ 11,980,894 | \$ 17,431,452 |
| Cash and Investments in Segregated Accounts | 603,149 | 0 | 603,149 |
| Accounts Receivable | 78,113 | 1,333,207 | 1,411,320 |
| Intergovernmental Receivable | 1,258,372 | 0 | 1,258,372 |
| Taxes Receivable | 3,489,481 | 0 | 3,489,481 |
| Special Assessments Receivable | 21,972 | 0 | 21,972 |
| Loans Receivable | 44,385 | 0 | 44,385 |
| Internal Balances | (77,879) | 77,879 | 0 |
| Prepaid Items | 23,880 | 14,671 | 38,551 |
| Materials and Supplies Inventory | 37,930 | 55,315 | 93,245 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Investments | 0 | 196,506 | 196,506 |
| Non-Depreciable Capital Assets | 2,679,669 | 318,331 | 2,998,000 |
| Depreciable Capital Assets, Net | 26,235,036 | 17,562,790 | 43,797,826 |
| <i>Total Assets</i> | <u>39,844,666</u> | <u>31,539,593</u> | <u>71,384,259</u> |
| Deferred Outflows of Resources | | | |
| Pension | 3,345,836 | 773,136 | 4,118,972 |
| Liabilities | | | |
| Accounts Payable | 133,733 | 140,634 | 274,367 |
| Accrued Wages | 331,548 | 89,866 | 421,414 |
| Contracts Payable | 183,246 | 13,800 | 197,046 |
| Intergovernmental Payable | 95,999 | 21,026 | 117,025 |
| Accrued Interest Payable | 13,429 | 0 | 13,429 |
| Claims Payable | 9,227 | 0 | 9,227 |
| Accrued Vacation Leave Payable | 187,831 | 83,451 | 271,282 |
| Matured Compensated Absences Payable | 26,689 | 0 | 26,689 |
| Customer Deposits Payable | 0 | 196,506 | 196,506 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 393,882 | 411,209 | 805,091 |
| Due in More Than One Year: | | | |
| Net Pension Liability (See Note 9) | 11,988,420 | 2,035,003 | 14,023,423 |
| Other Amounts Due in More Than One Year | 5,554,661 | 2,962,581 | 8,517,242 |
| <i>Total Liabilities</i> | <u>18,918,665</u> | <u>5,954,076</u> | <u>24,872,741</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 1,833,829 | 0 | 1,833,829 |
| Pension | 98,760 | 39,321 | 138,081 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,932,589</u> | <u>39,321</u> | <u>1,971,910</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 24,349,153 | 14,827,269 | 39,034,357 |
| Restricted For: | | | |
| Debt Service | 63,212 | 0 | 63,212 |
| Capital Outlay | 377,814 | 0 | 377,814 |
| Other Purposes | 3,468,711 | 0 | 3,468,711 |
| Unrestricted | (5,919,642) | 11,492,063 | 5,714,486 |
| <i>Total Net Position</i> | <u>\$ 22,339,248</u> | <u>\$ 26,319,332</u> | <u>\$ 48,658,580</u> |

*Debt related to certain governmental assets is included in the business-type activities. This debt has not been included in the net investment in capital assets for the business type or governmental activities but has been reflected in the entity-wide total. See Note 14.

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|----------------------|-------------------------|---|--|----------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | \$ 3,549,350 | \$ 1,069,501 | \$ 7,500 | \$ 0 | \$ (2,472,349) | \$ 0 | \$ (2,472,349) |
| Security of Persons and Property | 6,122,482 | 211,589 | 205,137 | 0 | (5,705,756) | 0 | (5,705,756) |
| Public Health | 398,972 | 134,627 | 1,315 | 0 | (263,030) | 0 | (263,030) |
| Leisure Time Services | 1,153,756 | 300,383 | 16,000 | 0 | (837,373) | 0 | (837,373) |
| Community Development | 382,714 | 1,913 | 781,440 | 0 | 400,639 | 0 | 400,639 |
| Transportation | 3,038,628 | 6,457 | 405,327 | 1,796,214 | (830,630) | 0 | (830,630) |
| Interest and Fiscal Charges | 241,312 | 0 | 0 | 0 | (241,312) | 0 | (241,312) |
| <i>Total Governmental Activities</i> | <u>14,887,214</u> | <u>1,724,470</u> | <u>1,416,719</u> | <u>1,796,214</u> | <u>(9,949,811)</u> | <u>0</u> | <u>(9,949,811)</u> |
| Business-Type Activities | | | | | | | |
| Water | 3,099,907 | 4,506,523 | 0 | 0 | 0 | 1,406,616 | 1,406,616 |
| Sewer | 2,854,851 | 2,650,101 | 0 | 0 | 0 | (204,750) | (204,750) |
| <i>Total Business-Type Activities</i> | <u>5,954,758</u> | <u>7,156,624</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,201,866</u> | <u>1,201,866</u> |
| <i>Total Primary Government</i> | <u>\$ 20,841,972</u> | <u>\$ 8,881,094</u> | <u>\$ 1,416,719</u> | <u>\$ 1,796,214</u> | <u>(9,949,811)</u> | <u>1,201,866</u> | <u>(8,747,945)</u> |
| General Revenues: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 342,006 | 0 | 342,006 |
| Police and Fire Pension | | | | | 89,219 | 0 | 89,219 |
| Fire | | | | | 1,526,952 | 0 | 1,526,952 |
| Income Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 5,105,586 | 0 | 5,105,586 |
| Street Department | | | | | 539,180 | 0 | 539,180 |
| Fire Department | | | | | 448,986 | 0 | 448,986 |
| Street Improvements | | | | | 1,078,351 | 0 | 1,078,351 |
| Hotel Lodging Tax | | | | | 278,661 | 0 | 278,661 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | | | |
| | | | | | 460,051 | 0 | 460,051 |
| Investment Earnings | | | | | 97,078 | 175 | 97,253 |
| Miscellaneous | | | | | 84,043 | 18,524 | 102,567 |
| <i>Total General Revenues</i> | | | | | <u>10,050,113</u> | <u>18,699</u> | <u>10,068,812</u> |
| Transfers | | | | | 192,065 | (192,065) | 0 |
| <i>Total General Revenues and Transfers</i> | | | | | <u>10,242,178</u> | <u>(173,366)</u> | <u>0</u> |
| <i>Change in Net Position</i> | | | | | 292,367 | 1,028,500 | 1,320,867 |
| <i>Net Position Beginning of Year</i> | | | | | <u>22,046,881</u> | <u>25,290,832</u> | <u>47,337,713</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 22,339,248</u> | <u>\$ 26,319,332</u> | <u>\$ 48,658,580</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

| | General Fund | Fire Fund | Oakland Boulevard Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|------------------------------|------------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,602,357 | \$ 451,901 | \$ 0 | \$ 3,396,300 | \$ 5,450,558 |
| Cash and Investments in Segregated Accounts | 30,328 | 0 | 0 | 224,609 | 254,937 |
| Accounts Receivable | 56,164 | 1,200 | 0 | 20,749 | 78,113 |
| Intergovernmental Receivable | 206,343 | 39,996 | 7,152 | 1,004,881 | 1,258,372 |
| Taxes Receivable | 1,245,700 | 1,851,368 | 0 | 392,413 | 3,489,481 |
| Special Assessments Receivable | 0 | 0 | 0 | 21,972 | 21,972 |
| Loans Receivable | 0 | 0 | 0 | 44,385 | 44,385 |
| Prepaid Items | 20,031 | 828 | 0 | 3,021 | 23,880 |
| Materials and Supplies Inventory | 0 | 0 | 0 | 37,930 | 37,930 |
| <i>Total Assets</i> | <u>\$ 3,160,923</u> | <u>\$ 2,345,293</u> | <u>\$ 7,152</u> | <u>\$ 5,146,260</u> | <u>\$ 10,659,628</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 31,507 | \$ 21,717 | \$ 0 | \$ 80,509 | \$ 133,733 |
| Accrued Wages | 208,965 | 78,360 | 0 | 44,223 | 331,548 |
| Contracts Payable | 0 | 0 | 7,152 | 176,094 | 183,246 |
| Intergovernmental Payable | 57,222 | 29,944 | 0 | 8,833 | 95,999 |
| Matured Compensated Absences Payable | 26,689 | 0 | 0 | 0 | 26,689 |
| <i>Total Liabilities</i> | <u>324,383</u> | <u>130,021</u> | <u>7,152</u> | <u>309,659</u> | <u>771,215</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes Levied for the Next Year | 300,532 | 1,451,435 | 0 | 81,862 | 1,833,829 |
| Unavailable Revenue | 459,600 | 388,939 | 0 | 984,864 | 1,833,403 |
| <i>Total Deferred Inflows of Resources</i> | <u>760,132</u> | <u>1,840,374</u> | <u>0</u> | <u>1,066,726</u> | <u>3,667,232</u> |
| Fund Balances | | | | | |
| Nonspendable | 49,629 | 828 | 0 | 40,951 | 91,408 |
| Restricted | 0 | 374,070 | 0 | 3,318,891 | 3,692,961 |
| Committed | 0 | 0 | 0 | 410,033 | 410,033 |
| Assigned | 1,587,963 | 0 | 0 | 0 | 1,587,963 |
| Unassigned | 438,816 | 0 | 0 | 0 | 438,816 |
| <i>Total Fund Balances</i> | <u>2,076,408</u> | <u>374,898</u> | <u>0</u> | <u>3,769,875</u> | <u>6,221,181</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 3,160,923</u> | <u>\$ 2,345,293</u> | <u>\$ 7,152</u> | <u>\$ 5,146,260</u> | <u>\$ 10,659,628</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016

| | | |
|--|--------------|-------------------|
| Total Governmental Fund Balances | | \$ 6,221,181 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 28,914,705 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds: | | |
| Property Taxes | \$ 420,916 | |
| Income Taxes | 402,447 | |
| Intergovernmental | 988,068 | |
| Special Assessments | 21,972 | 1,833,403 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 261,106 |
| Accrued interest payable is not due and payable in the current period and therefore not reported in the funds. | | (13,429) |
| The net pension liability is not due and payable in the current period, therefore, liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred Outflows - Pension | 3,345,836 | |
| Deferred Inflows - Pension | (98,760) | |
| Net Pension Liability | (11,988,420) | (8,741,344) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (3,210,000) | |
| Capital Appreciation Bonds | (19,656) | |
| Bond Accretion | (188,393) | |
| Unamortized Bond Premium | (126,771) | |
| Installment Loan | (480,932) | |
| OPWC Loan | (42,186) | |
| Accrued Pension Liability | (403,299) | |
| Capital Leases | (715,204) | |
| Accrued Vacation Leave Payable | (187,831) | |
| Compensated Absences | (762,102) | (6,136,374) |
| <i>Net Position of Governmental Activities</i> | | \$ 22,339,248 |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

| | General Fund | Fire Fund | Oakland Boulevard Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------------------|------------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$ 343,572 | \$ 1,532,873 | \$ 0 | \$ 89,628 | \$ 1,966,073 |
| Income Taxes | 5,164,182 | 454,157 | 0 | 1,636,044 | 7,254,383 |
| Other Local Taxes | 0 | 0 | 0 | 278,661 | 278,661 |
| Special Assessments | 0 | 0 | 0 | 12,899 | 12,899 |
| Charges for Services | 227,251 | 171,200 | 0 | 207,759 | 606,210 |
| Licenses and Permits | 148,792 | 0 | 0 | 6,457 | 155,249 |
| Fines and Forfeitures | 475,612 | 0 | 0 | 455,225 | 930,837 |
| Intergovernmental | 482,729 | 82,473 | 1,812,977 | 773,501 | 3,151,680 |
| Interest | 96,278 | 0 | 0 | 2,449 | 98,727 |
| Rent | 7,242 | 100 | 0 | 0 | 7,342 |
| Contributions and Donations | 16,000 | 0 | 0 | 500 | 16,500 |
| Other | 40,319 | 26,833 | 0 | 16,891 | 84,043 |
| <i>Total Revenues</i> | <u>7,001,977</u> | <u>2,267,636</u> | <u>1,812,977</u> | <u>3,480,014</u> | <u>14,562,604</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 3,088,984 | 0 | 0 | 262,937 | 3,351,921 |
| Security of Persons and Property | 2,728,797 | 2,045,808 | 0 | 454,912 | 5,229,517 |
| Public Health | 0 | 0 | 0 | 364,275 | 364,275 |
| Leisure Time Services | 884,951 | 0 | 0 | 78,520 | 963,471 |
| Community Development | 283,123 | 0 | 0 | 106,493 | 389,616 |
| Transportation | 100,000 | 0 | 0 | 2,260,369 | 2,360,369 |
| Capital Outlay | 1,800 | 10,155 | 1,812,977 | 189,276 | 2,014,208 |
| Debt Service: | | | | | |
| Principal Retirement | 40,592 | 59,971 | 0 | 343,823 | 444,386 |
| Interest and Fiscal Charges | 15,635 | 13,341 | 0 | 161,924 | 190,900 |
| <i>Total Expenditures</i> | <u>7,143,882</u> | <u>2,129,275</u> | <u>1,812,977</u> | <u>4,222,529</u> | <u>15,308,663</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(141,905)</u> | <u>138,361</u> | <u>0</u> | <u>(742,515)</u> | <u>(746,059)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from Loan | 0 | 0 | 0 | 284,428 | 284,428 |
| Transfers In | 0 | 0 | 0 | 246,600 | 246,600 |
| Transfers Out | (246,600) | 0 | 0 | 0 | (246,600) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(246,600)</u> | <u>0</u> | <u>0</u> | <u>531,028</u> | <u>284,428</u> |
| <i>Net Change in Fund Balance</i> | (388,505) | 138,361 | 0 | (211,487) | (461,631) |
| <i>Fund Balance Beginning of Year</i> | <u>2,464,913</u> | <u>236,537</u> | <u>0</u> | <u>3,981,362</u> | <u>6,682,812</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 2,076,408</u> | <u>\$ 374,898</u> | <u>\$ 0</u> | <u>\$ 3,769,875</u> | <u>\$ 6,221,181</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016*

| | | |
|---|--------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (461,631) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Asset Additions and Transfers | \$ 2,724,262 | |
| Current Year Depreciation | <u>(1,784,041)</u> | 940,221 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (60,630) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | (7,895) | |
| Income Taxes | (82,280) | |
| Special Assessments | (10,986) | |
| Intergovernmental | <u>525,273</u> | 424,112 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General Obligation Bonds | 120,000 | |
| Accrued Pension Liability | 14,160 | |
| OPWC Loan | 7,032 | |
| Installment Loans | 1,431 | |
| Capital Leases | <u>301,763</u> | 444,386 |
| Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| Installment Loan | | (284,428) |
| Premiums on bonds are amortized over the life of the issuance in the statement of activities. | | |
| | | 6,037 |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 858,256 |
| Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (1,630,563) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 1,547 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | 31,321 |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Accrued Vacation Leave Payable | 10,485 | |
| Compensated Absences | <u>71,250</u> | 81,735 |
| Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds. | | |
| | | <u>(57,996)</u> |
| <i>Change in Net Position of Governmental Activities</i> | | <u>\$ 292,367</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 295,500 | \$ 295,500 | \$ 343,572 | \$ 48,072 |
| Income Taxes | 4,750,000 | 4,750,000 | 5,758,400 | 1,008,400 |
| Charges for Services | 8,500 | 8,500 | 4,534 | (3,966) |
| Licenses and Permits | 111,000 | 111,000 | 121,388 | 10,388 |
| Fines and Forfeitures | 530,100 | 530,100 | 484,603 | (45,497) |
| Intergovernmental | 472,066 | 472,066 | 480,556 | 8,490 |
| Interest | 25,000 | 25,000 | 96,278 | 71,278 |
| Rent | 10,000 | 10,000 | 7,242 | (2,758) |
| Other | 210,200 | 245,146 | 62,686 | (182,460) |
| <i>Total Revenues</i> | <u>6,412,366</u> | <u>6,447,312</u> | <u>7,359,259</u> | <u>911,947</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,084,599 | 3,227,214 | 3,114,451 | 112,763 |
| Security of Persons and Property | 2,941,920 | 2,945,051 | 2,771,076 | 173,975 |
| Leisure Time Services | 722,934 | 722,934 | 675,292 | 47,642 |
| Community Development | 271,600 | 271,600 | 263,915 | 7,685 |
| Capital Outlay | 0 | 1,800 | 1,800 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 40,592 | 40,592 | 40,592 | 0 |
| Interest and Fiscal Charges | 15,635 | 15,635 | 15,635 | 0 |
| <i>Total Expenditures</i> | <u>7,077,280</u> | <u>7,224,826</u> | <u>6,882,761</u> | <u>342,065</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(664,914)</u> | <u>(777,514)</u> | <u>476,498</u> | <u>1,254,012</u> |
| Other Financing Uses | | | | |
| Transfers Out | (365,000) | (365,000) | (351,600) | 13,400 |
| <i>Total Other Financing Uses</i> | <u>(365,000)</u> | <u>(365,000)</u> | <u>(351,600)</u> | <u>13,400</u> |
| <i>Net Change in Fund Balance</i> | (1,029,914) | (1,142,514) | 124,898 | 1,267,412 |
| <i>Fund Balance Beginning of Year</i> | 1,143,306 | 1,143,306 | 1,143,306 | 0 |
| Prior Year Encumbrances Appropriated | 59,951 | 59,951 | 59,951 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 173,343</u> | <u>\$ 60,743</u> | <u>\$ 1,328,155</u> | <u>\$ 1,267,412</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 1,432,000 | \$ 1,432,000 | \$ 1,532,873 | \$ 100,873 |
| Income Taxes | 395,000 | 395,000 | 504,715 | 109,715 |
| Charges for Services | 172,652 | 172,652 | 170,000 | (2,652) |
| Intergovernmental | 80,000 | 80,000 | 82,973 | 2,973 |
| Rent | 0 | 0 | 100 | 100 |
| Other | 25,000 | 41,009 | 26,833 | (14,176) |
| <i>Total Revenues</i> | <u>2,104,652</u> | <u>2,120,661</u> | <u>2,317,494</u> | <u>196,833</u> |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,192,944 | 2,207,953 | 2,038,934 | 169,019 |
| Capital Outlay | 13,000 | 14,000 | 13,955 | 45 |
| Debt Service: | | | | |
| Principal Retirement | 59,971 | 59,971 | 59,971 | 0 |
| Interest and Fiscal Charges | 13,341 | 13,341 | 13,341 | 0 |
| <i>Total Expenditures</i> | <u>2,279,256</u> | <u>2,295,265</u> | <u>2,126,201</u> | <u>169,064</u> |
| <i>Net Change in Fund Balance</i> | (174,604) | (174,604) | 191,293 | 365,897 |
| <i>Fund Balance Beginning of Year</i> | 234,998 | 234,998 | 234,998 | 0 |
| Prior Year Encumbrances Appropriated | 11,786 | 11,786 | 11,786 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 72,180</u> | <u>\$ 72,180</u> | <u>\$ 438,077</u> | <u>\$ 365,897</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

| | Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|----------------------|----------------------|-------------------|--|
| | Water | Sewer | Total | |
| Assets | | | | |
| <i>Current Assets:</i> | | | | |
| Equity in Pooled Cash and Investments | \$ 6,346,243 | \$ 5,634,651 | \$ 11,980,894 | \$ 0 |
| Cash and Investments in Segregated Accounts | 0 | 0 | 0 | 348,212 |
| Accounts Receivable | 788,203 | 545,004 | 1,333,207 | 0 |
| Prepaid Items | 7,767 | 6,904 | 14,671 | 0 |
| Materials and Supplies Inventory | 49,587 | 5,728 | 55,315 | 0 |
| <i>Total Current Assets</i> | <u>7,191,800</u> | <u>6,192,287</u> | <u>13,384,087</u> | <u>348,212</u> |
| <i>Non-Current Assets:</i> | | | | |
| <i>Restricted Assets:</i> | | | | |
| Equity in Pooled Cash and Investments | 196,506 | 0 | 196,506 | 0 |
| Non-Depreciable Capital Assets | 251,069 | 67,262 | 318,331 | 0 |
| Depreciable Capital Assets, Net | 6,531,890 | 11,030,900 | 17,562,790 | 0 |
| <i>Total Non-Current Assets</i> | <u>6,979,465</u> | <u>11,098,162</u> | <u>18,077,627</u> | <u>0</u> |
| <i>Total Assets</i> | <u>14,171,265</u> | <u>17,290,449</u> | <u>31,461,714</u> | <u>348,212</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 395,617 | 377,519 | 773,136 | 0 |
| <i>Total Assets and Deferred Outflow of Resources</i> | <u>14,566,882</u> | <u>17,667,968</u> | <u>32,234,850</u> | <u>348,212</u> |
| Liabilities | | | | |
| <i>Current Liabilities:</i> | | | | |
| Accounts Payable | 96,951 | 43,683 | 140,634 | 0 |
| Accrued Wages | 48,903 | 40,963 | 89,866 | 0 |
| Contracts Payable | 13,800 | 0 | 13,800 | 0 |
| Intergovernmental Payable | 11,384 | 9,642 | 21,026 | 0 |
| Accrued Vacation Leave Payable | 36,736 | 46,715 | 83,451 | 0 |
| Claims Payable | 0 | 0 | 0 | 9,227 |
| Customer Deposits Payable | 196,506 | 0 | 196,506 | 0 |
| Compensated Absences Payable | 5,523 | 6,403 | 11,926 | 0 |
| Capital Leases Payable | 0 | 26,909 | 26,909 | 0 |
| OPWC Loan Payable | 9,223 | 0 | 9,223 | 0 |
| OWDA Loans Payable | 297,208 | 65,943 | 363,151 | 0 |
| <i>Total Current Liabilities</i> | <u>716,234</u> | <u>240,258</u> | <u>956,492</u> | <u>9,227</u> |
| <i>Long-Term Liabilities:</i> | | | | |
| Compensated Absences Payable - Net of Current Portion | 92,710 | 87,037 | 179,747 | 0 |
| Capital Leases Payable - Net of Current Portion | 0 | 115,156 | 115,156 | 0 |
| OPWC Loan Payable - Net of Current Portion | 36,892 | 0 | 36,892 | 0 |
| OWDA Loans Payable - Net of Current Portion | 1,168,883 | 1,461,903 | 2,630,786 | 0 |
| Net Pension Liability (See Note 9) | 1,041,319 | 993,684 | 2,035,003 | 0 |
| <i>Total Long-Term Liabilities</i> | <u>2,339,804</u> | <u>2,657,780</u> | <u>4,997,584</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>3,056,038</u> | <u>2,898,038</u> | <u>5,954,076</u> | <u>9,227</u> |
| Deferred Inflows of Resources | | | | |
| Pension | 20,121 | 19,200 | 39,321 | 0 |
| Net Position | | | | |
| Net Investment in Capital Assets | 5,256,951 | 9,570,318 | 14,827,269 | 0 |
| Unrestricted | 6,233,772 | 5,180,412 | 11,414,184 | 338,985 |
| <i>Total Net Position</i> | <u>\$ 11,490,723</u> | <u>\$ 14,750,730</u> | <u>26,241,453</u> | <u>\$ 338,985</u> |

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

| | |
|--|----------------------|
| Net Position of business-type activities | 77,879 |
| | <u>\$ 26,319,332</u> |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

| | Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|----------------------|----------------------|---------------------|--|
| | Water | Sewer | Total | |
| Operating Revenues | | | | |
| Charges for Services | \$ 4,506,523 | \$ 2,650,101 | \$ 7,156,624 | \$ 393,749 |
| Other | 13,974 | 4,550 | 18,524 | 0 |
| <i>Total Operating Revenues</i> | <u>4,520,497</u> | <u>2,654,651</u> | <u>7,175,148</u> | <u>393,749</u> |
| Operating Expenses | | | | |
| Personal Services | 1,212,653 | 1,245,279 | 2,457,932 | 0 |
| Contractual Services | 478,247 | 510,737 | 988,984 | 13,096 |
| Materials and Supplies | 879,905 | 685,198 | 1,565,103 | 0 |
| Claims | 0 | 0 | 0 | 342,502 |
| Depreciation | 477,575 | 418,215 | 895,790 | 0 |
| <i>Total Operating Expenses</i> | <u>3,048,380</u> | <u>2,859,429</u> | <u>5,907,809</u> | <u>355,598</u> |
| <i>Operating Income (Loss)</i> | <u>1,472,117</u> | <u>(204,778)</u> | <u>1,267,339</u> | <u>38,151</u> |
| Non-Operating Revenues (Expense) | | | | |
| Interest | 0 | 175 | 175 | 800 |
| Loss on Sale of Capital Assets | 0 | (192,065) | (192,065) | 0 |
| Interest and Fiscal Charges | (54,579) | 0 | (54,579) | 0 |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>(54,579)</u> | <u>(191,890)</u> | <u>(246,469)</u> | <u>800</u> |
| <i>Change in Net Position</i> | 1,417,538 | (396,668) | 1,020,870 | 38,951 |
| <i>Net Position Beginning of Year</i> | <u>10,073,185</u> | <u>15,147,398</u> | | <u>300,034</u> |
| <i>Net Position End of Year</i> | <u>\$ 11,490,723</u> | <u>\$ 14,750,730</u> | | <u>\$ 338,985</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds: | | | <u>7,630</u> | |
| Changes in Net Position of Business-Type Activities | | | <u>\$ 1,028,500</u> | |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

| | Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---------------------|---------------------|----------------------|--|
| | Water | Sewer | Totals | |
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$ 4,532,790 | \$ 2,742,625 | \$ 7,275,415 | \$ 393,749 |
| Cash Received from Other Operating Receipts | 15,008 | 5,231 | 20,239 | 0 |
| Cash Payments to Suppliers for Goods and Services | (848,264) | (661,004) | (1,509,268) | 0 |
| Cash Payments to Employees for Services and Benefits | (1,104,463) | (1,165,952) | (2,270,415) | 0 |
| Cash Payments for Contractual Services | (493,263) | (634,857) | (1,128,120) | (13,096) |
| Cash Payments for Claims | 0 | 0 | 0 | (340,590) |
| <i>Net Cash Provided by Operating Activities</i> | <u>2,101,808</u> | <u>286,043</u> | <u>2,387,851</u> | <u>40,063</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Proceeds of OWDA Loans | 0 | 1,379,255 | 1,379,255 | 0 |
| Payment for Capital Acquisitions | (283,629) | (1,623,695) | (1,907,324) | 0 |
| Principal Payments on Debt | (294,847) | 0 | (294,847) | 0 |
| Interest Payments on Debt | (54,579) | 0 | (54,579) | 0 |
| <i>Net Cash (Used for) Capital and Related Financing Activities</i> | <u>(633,055)</u> | <u>(244,440)</u> | <u>(877,495)</u> | <u>0</u> |
| Cash Flows from Investing Activities | | | | |
| Interest | 0 | 175 | 175 | 800 |
| <i>Net Increase in Cash and Investments</i> | 1,468,753 | 41,778 | 1,510,531 | 40,863 |
| <i>Cash and Investments Beginning of Year</i> | <u>5,073,996</u> | <u>5,592,873</u> | <u>10,666,869</u> | <u>307,349</u> |
| <i>Cash and Investments End of Year</i> | <u>\$ 6,542,749</u> | <u>\$ 5,634,651</u> | <u>\$ 12,177,400</u> | <u>\$ 348,212</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | | |
| Operating Income (Loss) | \$ 1,472,117 | \$ (204,778) | \$ 1,267,339 | \$ 38,151 |
| Adjustments: | | | | |
| Depreciation | 477,575 | 418,215 | 895,790 | 0 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | 27,301 | 93,070 | 120,371 | 0 |
| Prepaid Items | (1,101) | (238) | (1,339) | 0 |
| Deferred Outflows - Pension | (272,076) | (256,533) | (528,609) | 0 |
| Net Pension Asset | 1,042 | 1,020 | 2,062 | 0 |
| Materials and Supplies Inventory | (23,766) | 2,922 | (20,844) | 0 |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 40,668 | (102,475) | (61,807) | 0 |
| Accrued Wages | 9,125 | 2,183 | 11,308 | 0 |
| Claims Payable | 0 | 0 | 0 | 1,912 |
| Customer Deposits Payable | 824 | 0 | 824 | 0 |
| Net Pension Liability | 351,111 | 317,747 | 668,858 | 0 |
| Deferred Inflows - Pension | 7,678 | 7,014 | 14,692 | 0 |
| Accrued Vacation Leave Payable | (2,737) | 7,669 | 4,932 | 0 |
| Compensated Absences Payable | 19,463 | 7,168 | 26,631 | 0 |
| Intergovernmental Payable | (5,416) | (6,941) | (12,357) | 0 |
| <i>Net Cash Provided by Operating Activities</i> | <u>\$ 2,101,808</u> | <u>\$ 286,043</u> | <u>\$ 2,387,851</u> | <u>\$ 40,063</u> |

Noncash Capital Financing Activities:

The City purchased \$51,270 and \$891 of capital assets on account in 2016 and 2015, respectively.
The sewer fund transferred capital assets to the governmental funds in the amount of \$192,065.

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

| | Private Purpose Trust | Agency Funds |
|---|--------------------------|-------------------|
| Assets | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 60,825 |
| Cash and Investments in Segregated Accounts | 48,521 | 126,343 |
| Accounts Receivable | 0 | 2,029 |
| <i>Total Assets</i> | <u>48,521</u> | <u>\$ 189,197</u> |
| Liabilities | | |
| Due to Others | 0 | \$ 128,372 |
| Undistributed Monies | 0 | 60,825 |
| <i>Total Liabilities</i> | <u>0</u> | <u>\$ 189,197</u> |
| Net Position | | |
| Held in Trust for Private Purposes | <u>\$ 48,521</u> | |

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2016

| | Private Purpose Trust |
|--|--------------------------|
| Deductions | |
| Payments in Accordance with Trust Agreements | \$ 100 |
| <i>Change in Net Position</i> | (100) |
| <i>Net Position Beginning of Year</i> | 48,621 |
| <i>Net Position End of Year</i> | \$ 48,521 |

See accompanying notes to the basic financial statements.

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City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1: REPORTING ENTITY

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

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

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

Related Organizations

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

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

Guernsey County Airport Authority – The Guernsey County Airport Authority was created to provide for the orderly development of aviation facilities in the region. The Authority is governed by a five member board of trustees. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Guernsey County Board of Commissioners. Subsequent appointments are made by the City in each even numbered year and the County in each odd numbered year. The City provided 27 percent of the funds received by the Authority in 2016; however, the City is not financially accountable for the Authority.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

B. Fund Accounting

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

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

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

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

Oakland Boulevard Fund The Oakland Boulevard 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 position, financial position, and cash flows. The following are the City's proprietary fund types:

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities. Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus.

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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, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 5.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9).

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

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

E. Pooled Cash and Investments

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

During 2016 the City invested in federal agency securities, STAR Ohio (the State Treasury Asset Reserve of Ohio), commercial paper and certificates of deposits.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$96,278, which includes \$83,896 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and investments in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 4, "Deposits and Investments."

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

I. Capital Assets

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

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

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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 - 20 Years | N/A |
| Buildings | 5 - 50 Years | 15 - 25 Years |
| Improvements Other Than Buildings | 15 - 25 Years | 25 - 65 Years |
| Machinery and Equipment | 5 - 25 Years | 5 - 25 Years |
| Furniture and Fixtures | 10 - 15 Years | 5 - 15 Years |
| Vehicles | 5 - 20 Years | 5 - 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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employees' wage rates at 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.

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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 net pension liability 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 unmaturing 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. Pensions

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2016, \$431,870 of the City's net position was restricted by enabling legislation.

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

O. Fund Balance

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

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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. City Council has by resolution authorized the City Auditor to assign fund balance. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

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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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

S. Estimates

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

T. Budgetary Data

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

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

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

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U. Contributions of Capital

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

V. Implementation of New Accounting Principles

For the year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes

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additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The City incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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 and fire funds.

Net Change in Fund Balance

| | General | Fire |
|----------------------------|--------------|------------|
| GAAP Basis | \$ (388,505) | \$ 138,361 |
| Revenue Accruals | 601,782 | 49,858 |
| Expenditure Accruals | (8,490) | 16,897 |
| Encumbrances | (62,560) | (13,823) |
| Funds Budgeted Elsewhere** | (17,329) | 0 |
| Budget Basis | \$ 124,898 | \$ 191,293 |

** 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.

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NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guarantee as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio and STAR Plus).

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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 forty 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 2016, the City and public depositories complied with the provisions of these statutes.

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 year-end, the carrying amount of the City's deposits was \$9,225,745. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of December 31, 2016, \$7,022,096 of the City's bank balance of \$9,986,644 was exposed to custodial credit risk as discussed above, while \$2,964,548 was covered by Federal Deposit Insurance Corporation.

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Investments

As of December 31, 2016, the City had the following investment and maturity:

| Rating | Investment | Measurement Amount | Investment Maturities in Months | | | % Total |
|--------|----------------------------|-----------------------|------------------------------------|-------------------|---------------------|---------------|
| | | | 0-12 | 13-36 | Over 36 | |
| AA+ | Federal Home Loan Mortgage | \$ 1,637,605 | \$ 0 | \$ 247,805 | \$ 1,389,800 | 17.7% |
| AAAm | STAR Ohio | 2,007,437 | 2,007,437 | 0 | 0 | 21.7% |
| | Federal National Mortgage | | | | | |
| Aaa | Association MTN | 1,382,899 | 0 | 0 | 1,382,899 | 15.0% |
| | Federal National Mortgage | | | | | |
| Aaa | Association | 690,547 | 0 | 0 | 690,547 | 7.5% |
| P-1 | Commercial Paper | 3,522,563 | 3,522,563 | 0 | 0 | 38.1% |
| | Total Investments | <u>\$ 9,241,051</u> | <u>\$ 5,530,000</u> | <u>\$ 247,805</u> | <u>\$ 3,463,246</u> | <u>100.0%</u> |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2016. As discussed further in Note 2, the repurchase agreement is reported at cost and STAR Ohio is reported at its share price. All other investments of the City are valued using significant observable inputs (Level 2 inputs).

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2016, is 52 days.

Credit Risk The City has no investment policy that addresses credit risk beyond the requirements of State statute. All federal agency bonds and notes had a rating of AA+ from S&P Global Ratings.

Concentration of Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2016.

Custodial Credit Risk For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the City will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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NOTE 5: 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 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$13.70 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|----------------------|-----------------------|
| Real Property | \$ 152,734,770 |
| Public Utilities | <u>8,850,870</u> |
| Total Assessed Value | <u>\$ 161,585,640</u> |

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

B. Income Taxes

The City levies a tax of 2.0 percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 6: RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$44,385. 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 7: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

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

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

Capital assets in the amount of \$192,065 were transferred from the enterprise funds to governmental activities.

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City of Cambridge
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Notes to the Basic Financial Statements
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NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2016 follows:

| | Balance 12/31/15 | Additions | Deletions | Transfers | Balance 12/31/2016 |
|--|----------------------|----------------------|-----------------------|-------------------|-----------------------|
| Governmental Activities: | | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | | |
| Land | \$ 2,490,923 | \$ 49,909 | \$ 0 | \$ 0 | \$ 2,540,832 |
| Construction in Progress | 1,043,134 | 2,315,732 | (3,220,029) | 0 | 138,837 |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>3,534,057</u> | <u>2,365,641</u> | <u>(3,220,029)</u> | <u>0</u> | <u>2,679,669</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | | |
| Land Improvements | 121,584 | 0 | 0 | 0 | 121,584 |
| Buildings | 7,405,380 | 0 | 0 | 0 | 7,405,380 |
| Improvements Other Than Buildings | 2,230,871 | 47,121 | 0 | 0 | 2,277,992 |
| Machinery and Equipment | 2,348,775 | 97,435 | (184,492) | 192,065 | 2,453,783 |
| Furniture and Fixtures | 69,848 | 0 | 0 | 0 | 69,848 |
| Vehicles | 2,519,698 | 10,500 | (27,022) | 0 | 2,503,176 |
| Infrastructure | 25,562,798 | 3,231,529 | 0 | 0 | 28,794,327 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>40,258,954</u> | <u>3,386,585</u> | <u>(211,514)</u> | <u>192,065</u> | <u>43,626,090</u> |
| <i>Less Accumulated Depreciation:</i> | | | | | |
| Land Improvements | (91,274) | (3,055) | 0 | 0 | (94,329) |
| Buildings | (2,020,706) | (175,542) | 0 | 0 | (2,196,248) |
| Improvements Other Than Buildings | (1,587,426) | (101,815) | 0 | 0 | (1,689,241) |
| Machinery and Equipment | (1,841,951) | (124,501) | 123,862 | 0 | (1,842,590) |
| Furniture and Fixtures | (43,441) | (2,987) | 0 | 0 | (46,428) |
| Vehicles | (786,755) | (348,645) | 27,022 | 0 | (1,108,378) |
| Infrastructure | (9,386,344) | (1,027,496) | 0 | 0 | (10,413,840) |
| <i>Total Accumulated Depreciation</i> | <u>(15,757,897)</u> | <u>(1,784,041) *</u> | <u>150,884</u> | <u>0</u> | <u>(17,391,054)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>24,501,057</u> | <u>1,602,544</u> | <u>(60,630)</u> | <u>192,065</u> | <u>26,235,036</u> |
| <i>Total Governmental Activities Capital Assets, Net</i> | <u>\$ 28,035,114</u> | <u>\$ 3,968,185</u> | <u>\$ (3,280,659)</u> | <u>\$ 192,065</u> | <u>\$ 28,914,705</u> |

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*Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------------|
| General Government | \$ 115,976 |
| Leisure Time Services | 196,871 |
| Security of Persons and Property | 346,255 |
| Transportation | 1,104,875 |
| Public Health | <u>20,064</u> |
| Total | <u>\$ 1,784,041</u> |

| | Balance 12/31/2015 | Additions | Deletions | Transfers | Balance 12/31/2016 |
|---|--------------------------|-------------------------|---------------------------|-------------------------|--------------------------|
| Business-Type Activities: | | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | | |
| Land | \$ 201,041 | \$ 0 | \$ 0 | \$ 0 | \$ 201,041 |
| Construction in progress | <u>268,077</u> | <u>1,573,732</u> | <u>(1,724,519)</u> | <u>0</u> | <u>117,290</u> |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>469,118</u> | <u>1,573,732</u> | <u>(1,724,519)</u> | <u>0</u> | <u>318,331</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | | |
| Buildings | 10,249,294 | 75,926 | 0 | 0 | 10,325,220 |
| Improvements Other Than Buildings | 9,727,875 | 0 | 0 | 0 | 9,727,875 |
| Machinery and Equipment | 1,642,720 | 526,036 | 0 | (192,065) | 1,976,691 |
| Furniture and Fixtures | 151,021 | 0 | 0 | 0 | 151,021 |
| Vehicles | 585,718 | 0 | 0 | 0 | 585,718 |
| Water Lines | 5,865,182 | 0 | 0 | 0 | 5,865,182 |
| Sewer Lines | <u>6,118,310</u> | <u>1,648,593</u> | <u>0</u> | <u>0</u> | <u>7,766,903</u> |
| <i>Total Capital Assets, Being Depreciated</i> | <u>34,340,120</u> | <u>2,250,555</u> | <u>0</u> | <u>(192,065)</u> | <u>36,398,610</u> |
| <i>Less Accumulated Depreciation:</i> | | | | | |
| Buildings | (7,560,152) | (359,239) | 0 | 0 | (7,919,391) |
| Improvements Other Than Buildings | (3,910,602) | (190,354) | 0 | 0 | (4,100,956) |
| Machinery and Equipment | (1,135,259) | (112,960) | 0 | 0 | (1,248,219) |
| Furniture and Fixtures | (69,520) | (23,286) | 0 | 0 | (92,806) |
| Vehicles | (500,161) | (31,503) | 0 | 0 | (531,664) |
| Water Lines | (1,884,495) | (87,608) | 0 | 0 | (1,972,103) |
| Sewer Lines | <u>(2,879,841)</u> | <u>(90,840)</u> | <u>0</u> | <u>0</u> | <u>(2,970,681)</u> |
| <i>Total Accumulated Depreciation</i> | <u>(17,940,030)</u> | <u>(895,790)</u> | <u>0</u> | <u>0</u> | <u>(18,835,820)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>16,400,090</u> | <u>1,354,765</u> | <u>0</u> | <u>(192,065)</u> | <u>17,562,790</u> |
| <i>Total Business-Type Activities Capital Assets, Net</i> | <u>\$ 16,869,208</u> | <u>\$ 2,928,497</u> | <u>\$ (1,724,519)</u> | <u>\$ (192,065)</u> | <u>\$ 17,881,121</u> |

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NOTE 9: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145

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of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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| | State and Local |
|--|--------------------|
| 2016 Statutory Maximum Contribution Rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| 2016 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.00 % |
| Post-employment Health Care Benefits | 2.00 |
| Total Employer | 14.00 % |
| Employee | 10.00 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$512,228 for 2016. Of this amount, \$52,416 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

| | Police | Firefighters |
|--|-------------|--------------|
| 2016 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2016 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$520,431 for 2016. Of this amount \$54,096 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS Traditional Plan | OPF | Total |
|--|---------------------------|--------------|---------------|
| Proportionate Share of the Net Pension Liability | \$ 5,976,874 | \$ 8,046,549 | \$ 14,023,423 |
| Proportion of the Net Pension Liability | 0.0345060% | 0.1250810% | |
| Pension Expense | \$ 850,347 | \$ 1,111,622 | \$ 1,961,969 |

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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS Traditional Plan | OPF | Total |
|---|---------------------------|---------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Net Difference between Projected and Actual | | | |
| Earnings on Pension Plan Investments | \$ 1,756,829 | \$ 1,309,671 | \$ 3,066,500 |
| Changes in Proportionate Share | 1,671 | 18,142 | 19,813 |
| City Contributions Subsequent to the Measurement Date | 512,228 | 520,431 | 1,032,659 |
| Total Deferred Outflows of Resources | <u>\$ 2,270,728</u> | <u>\$ 1,848,244</u> | <u>\$ 4,118,972</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 115,486 | \$ 22,595 | \$ 138,081 |
| Total Deferred Inflows of Resources | <u>\$ 115,486</u> | <u>\$ 22,595</u> | <u>\$ 138,081</u> |

\$1,032,659 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS Traditional Plan | OPF | Total |
|--------------------------|---------------------------|---------------------|---------------------|
| 2017 | \$ 385,006 | \$ 344,013 | \$ 729,019 |
| 2018 | 413,096 | 344,013 | 757,109 |
| 2019 | 447,340 | 344,015 | 791,355 |
| 2020 | 397,572 | 274,198 | 671,770 |
| 2021 | 0 | (858) | (858) |
| Thereafter | 0 | (163) | (163) |
| | <u>\$ 1,643,014</u> | <u>\$ 1,305,218</u> | <u>\$ 2,948,232</u> |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> |
|--|---|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 percent to 10.05 percent, including wage inflation at 3.75 percent |
| COLA or Ad Hoc COLA | 3.00 percent, simple |
| Investment Rate of Return | 8.00 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|--|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | <u>100.00 %</u> | <u>5.27 %</u> |

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

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

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability: | \$ 9,522,621 | 5,976,874 | \$ 2,986,149 |

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

| | |
|----------------------------|---------------------------------------|
| Valuation Date | January 1, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11.00 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent, simple |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return** | 30 Year Expected Real Rate of Return** |
|-----------------------------|-------------------|--|--|
| Domestic Equity | 16.00 | 4.47 % | 7.80 % |
| Non-US Equity | 16.00 | 4.47 | 8.00 |
| Core Fixed Income* | 20.00 | 1.62 | 5.35 |
| Global Inflation Protected* | 20.00 | 1.33 | 4.73 |
| High Yield | 15.00 | 3.39 | 7.21 |
| Real Estate | 12.00 | 3.93 | 7.43 |
| Private Markets | 8.00 | 6.98 | 10.73 |
| Timber | 5.00 | 4.92 | 7.35 |
| Master Limited Partnerships | 8.00 | 7.03 | 10.75 |
| Total | 120.00 % | | |

Note: Assumptions are geometric.

* levered 2x

** Numbers include inflation

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OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

OPF Note

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City’s proportionate share of the net pension liability: | \$ 10,612,320 | \$ 8,046,549 | \$ 5,873,088 |

NOTE 10 – POST-EMPLOYMENT BENEFITS

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit.

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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. Please see the Plan Statement in the OPERS 2015 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$85,371, \$87,027 and \$89,949, respectively. For 2016, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio Police and Fire Pension Fund

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

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OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required 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 24.0 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 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 OPF 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. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. 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 OPF Board of Trustees is also 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.

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$6,302 and \$5,978 for the year ended December 31, 2016, \$6,845 and \$6,149 for the year ended December 31, 2015, and \$22,109 and \$20,901 for the year ended December 31, 2014. 90 percent has been contributed for police and 90 percent has been contributed for firefighters for 2016. The full amount has been contributed for 2015 and 2014.

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NOTE 11: COMMITMENTS

A. Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2016.

| | Contractual Commitment | Expended | Balance 12/31/2016 |
|--------------------------------------|---------------------------|------------|-----------------------|
| <i>Governmental-Type Activities:</i> | | | |
| Clark Street Project | \$ 259,900 | \$ 108,097 | \$ 151,803 |
| <i>Business-Type Activities:</i> | | | |
| Brown Heights Addition | 82,480 | 41,240 | 41,240 |
| Edgeworth Waterline Replacement | 139,000 | 67,300 | 71,700 |
| Total | \$ 481,380 | \$ 216,637 | \$ 264,743 |

B. Other Commitments

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

| Fund | Amount |
|--------------------------|-----------|
| General Fund | \$ 51,101 |
| Other Governmental Funds | 20,262 |
| Total | \$ 71,363 |

NOTE 12: 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.

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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, 2016 the liability for estimated unpaid compensated absences was \$953,775.

NOTE 13: LONG-TERM OBLIGATIONS

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|--|------------------|--------------------------|---------------------|
| Governmental Activities: | | | |
| General Obligation Bonds: | | | |
| Courthouse Facilities Improvement Bonds-2009 | | | |
| Serial Bonds | 2.00%-3.00% | \$ 770,000 | 12/1/2017 |
| Capital Appreciation Bonds | 35.50% | 19,656 | 12/1/2019 |
| Term Bonds | 3.75%-4.50% | 3,210,000 | 12/1/2037 |
| Ohio Public Works Commission Loan: | | | |
| Continuous Street Improvements | 0.00% | 72,911 | 1/1/2023 |
| Installment Loan | 2.50% | 500,000 | 5/31/2018 |
| Business-Type Activities: | | | |
| 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 |
| Waste Water Treatment Plant Improvements - 2015 | 3.04% | \$1,700,000 | 1/1/2027 |

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Changes in long-term obligations of the City during the year ended December 31, 2016 consisted of the following:

| | Principal Balance 12/31/2015 | Additions | Reductions | Principal Balance 12/31/2016 | Due in One Year |
|--|------------------------------------|---------------------|---------------------|------------------------------------|-----------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds: | | | | | |
| 2009 Courthouse Facilities Improvement Bonds | | | | | |
| Serial and Term Bonds | \$ 3,330,000 | \$ 0 | \$ (120,000) | \$ 3,210,000 | \$ 0 |
| Capital Appreciation Bonds | 19,656 | 0 | 0 | 19,656 | 8,770 |
| Accretion on Capital Appreciation Bonds | 130,397 | 57,996 | 0 | 188,393 | 84,051 |
| Unamortized Premium | 132,808 | 0 | (6,037) | 126,771 | 0 |
| Total General Obligation Bonds | 3,612,861 | 57,996 | (126,037) | 3,544,820 | 92,821 |
| OPWC Loan: | | | | | |
| Continuous Street Improvement | 49,218 | 0 | (7,032) | 42,186 | 7,031 |
| Other Long-Term Obligations: | | | | | |
| Compensated Absences | 833,352 | 70,941 | (142,191) | 762,102 | 27,772 |
| Installment Loan | 197,935 | 284,428 | (1,431) | 480,932 | 0 |
| Capital Leases | 1,016,967 | 0 | (301,763) | 715,204 | 251,490 |
| Accrued Police and Fire Pension Liability | 417,459 | 0 | (14,160) | 403,299 | 14,768 |
| Net Pension Liability: | | | | | |
| OPERS | 2,793,131 | 1,148,740 | 0 | 3,941,871 | 0 |
| OPF | 6,457,105 | 1,589,444 | 0 | 8,046,549 | 0 |
| Total Other Long-Term Obligations | 11,715,949 | 3,093,553 | (459,545) | 14,349,957 | 294,030 |
| Total Governmental Activities Long-Term Debt and Other Long-Term Obligations | \$ 15,378,028 | \$ 3,151,549 | \$ (592,614) | \$ 17,936,963 | \$ 393,882 |
| Business-Type Activities | | | | | |
| OWDA Loans: | | | | | |
| Water Line Replacement | \$ 1,082,329 | \$ 0 | \$ (25,873) | \$ 1,056,456 | \$ 26,858 |
| Sludge Facility | 669,386 | 0 | (259,751) | 409,635 | 270,350 |
| WWTP Improvements | 148,591 | 1,379,255 | 0 | 1,527,846 | 65,943 |
| Total OWDA Loans | 1,900,306 | 1,379,255 | (285,624) | 2,993,937 | 363,151 |
| OPWC Loan: | | | | | |
| Water Treatment Plant Filter Rehabilitation | 55,338 | 0 | (9,223) | 46,115 | 9,223 |
| Total Business-Type Activities Long-Term Debt | 1,955,644 | 1,379,255 | (294,847) | 3,040,052 | 372,374 |
| Other Long-Term Obligations: | | | | | |
| Compensated Absences | 165,042 | 27,075 | (444) | 191,673 | 11,926 |
| Capital Leases | 0 | 142,065 | 0 | 142,065 * | 26,909 |
| Net Pension Liability - OPERS: | | | | | |
| Sewer | 675,937 | 317,747 | 0 | 993,684 | 0 |
| Water | 690,208 | 351,111 | 0 | 1,041,319 | 0 |
| Total Other Long-Term Liabilities | 1,531,187 | 837,998 | (444) | 2,368,741 | 38,835 |
| Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations | \$ 3,486,831 | \$ 2,217,253 | \$ (295,291) | \$ 5,408,793 | \$ 411,209 |

* These debt issues are recorded in business-type activities to finance assets of the governmental funds. See notation on page 15 for a further description of the presentation on the statement of net position.

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The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2016 was \$601,684 in principal and interest payments through the year 2037. Only the principal amount of \$403,299 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.

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

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

The capital leases are paid from the general, street, fire and public lands capital improvement funds.

The City pays obligations related to employee compensation from the fund benefitting from their service.

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 2016 was \$6,037.

The serial bonds were issued with a varying interest rate of 2.00-3.00 percent. The term bonds that mature in 2023, with an interest rate of 3.75-4.50 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.

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The term bonds that mature in 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, 2024, 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 2035, 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, 2035 is to be paid at the stated maturity.

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 |

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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 2016, the accretion amount was \$57,996.

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 \$3,040,052 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which was 16.50 percent. The total principal and interest remaining to be paid on the loans is \$3,879,119. Principal and interest paid for the current year and total net revenues were \$357,043 and \$2,163,304 respectively.

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

On February 14, 2014, the City entered into an installment loan for \$200,000 with Peoples Bank for a business loan. On May 31, 2016 the City added an additional \$300,000 to the loan. As of December 31, 2016, the City only borrowed \$480,932. The City is required to make monthly interest payments. The entire principal balance is due on May 31, 2018 and has an interest rate of 2.5 percent. There is no amortization schedule available for this loan.

The City entered into an OWDA loan in 2015 for waste water treatment plant improvements. \$1,527,846 has been drawn down by the City as of December 31, 2016. As of December 31, 2016, the balance of this loan is \$1,527,846, which includes \$34,891 of capitalized interest.

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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 |
| 2017 | \$ 14,768 | \$ 16,985 | \$ 0 | \$ 136,962 | \$ 8,770 | \$ 116,230 |
| 2018 | 15,402 | 16,351 | 0 | 136,962 | 6,325 | 118,675 |
| 2019 | 16,064 | 15,689 | 0 | 136,962 | 4,561 | 120,439 |
| 2020 | 16,753 | 14,999 | 125,000 | 136,962 | 0 | 0 |
| 2021 | 17,473 | 14,280 | 130,000 | 132,275 | 0 | 0 |
| 2022-2026 | 99,289 | 59,474 | 725,000 | 583,400 | 0 | 0 |
| 2027-2031 | 122,524 | 36,239 | 880,000 | 423,423 | 0 | 0 |
| 2032-2036 | 101,026 | 8,679 | 1,100,000 | 209,250 | 0 | 0 |
| 2037 | 0 | 0 | 250,000 | 11,250 | 0 | 0 |
| Totals | <u>\$ 403,299</u> | <u>\$ 182,696</u> | <u>\$ 3,210,000</u> | <u>\$ 1,907,446</u> | <u>\$ 19,656</u> | <u>\$ 355,344</u> |

| Years | OPWC | Total | |
|-----------|------------------|--------------------|---------------------|
| | Principal | Principal | Interest |
| 2017 | \$ 7,031 | \$ 30,569 | \$ 270,177 |
| 2018 | 7,031 | 28,758 | 271,988 |
| 2019 | 7,031 | 27,656 | 273,090 |
| 2020 | 7,031 | 148,784 | 151,961 |
| 2021 | 7,031 | 154,504 | 146,555 |
| 2022-2026 | 7,031 | 831,320 | 642,874 |
| 2027-2031 | 0 | 1,002,524 | 459,662 |
| 2032-2036 | 0 | 1,201,026 | 217,929 |
| 2037 | 0 | 250,000 | 11,250 |
| Totals | <u>\$ 42,186</u> | <u>\$3,675,141</u> | <u>\$ 2,445,486</u> |

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

| Years | OWDA Loans | | OPWC Loan | Total | |
|-----------|---------------------|-------------------|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Principal | Interest |
| 2017 | \$ 363,151 | \$ 73,092 | \$ 9,223 | \$ 372,374 | \$ 73,092 |
| 2018 | 302,071 | 84,069 | 9,223 | 311,294 | 84,069 |
| 2019 | 167,983 | 76,786 | 9,223 | 177,206 | 76,786 |
| 2020 | 173,341 | 71,426 | 9,223 | 182,564 | 71,426 |
| 2021 | 178,874 | 65,894 | 9,223 | 188,097 | 65,894 |
| 2022-2026 | 983,796 | 240,041 | 0 | 983,796 | 240,041 |
| 2027-2031 | 298,351 | 122,992 | 0 | 298,351 | 122,992 |
| 2032-2036 | 253,744 | 78,432 | 0 | 253,744 | 78,432 |
| 2037-2041 | 272,626 | 26,335 | 0 | 272,626 | 26,335 |
| Totals | <u>\$ 2,993,937</u> | <u>\$ 839,067</u> | <u>\$ 46,115</u> | <u>\$ 3,040,052</u> | <u>\$ 839,067</u> |

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2016 the City entered into a lease agreement for a street sweeper in the amount of \$142,065. This debt will be paid by the sewer fund and the asset has been recorded in the governmental activities. See notation on page 15 for a further description of the presentation on the statement of net position. In prior years, the City entered into capitalized leases for the acquisition of police cruisers, ladder fire truck and an International truck. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the amount of \$1,589,155, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$405,563 as of December 31, 2016, leaving a current book value of \$1,183,592. 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, 2016:

| | | <u>Governmental Activities</u> |
|--|------|------------------------------------|
| Year Ending December 31: | 2017 | \$ 299,415 |
| | 2018 | 280,014 |
| | 2019 | 258,534 |
| | 2020 | 30,773 |
| | 2021 | <u>30,773</u> |
| Minimum lease payments | | 899,509 |
| Less: amount representing interest at the City's incremental borrowing rate of interest | | <u>(42,240)</u> |
| Present value of minimum lease payments | | <u>\$ 857,269</u> |

NOTE 15: 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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 \$393,749. The claims liability of \$9,227 reported in the Self-Insurance Fund at December 31, 2016 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the City's claims liability amount in during 2015 and 2016 were as follows:

| Year | Beginning of Year Liability | Claims Expense | Claims Payments | Balance of Liability at Year End |
|------|-----------------------------------|-------------------|--------------------|--|
| 2016 | \$ 7,315 | \$ 342,502 | \$ 340,590 | \$ 9,227 |
| 2015 | 4,548 | 385,290 | 382,523 | 7,315 |

Risk Pool Membership

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

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

The Government 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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015.

| <u>Casualty Coverage</u> | <u>2015</u> | <u>2016</u> |
|--------------------------|----------------------|----------------------|
| Assets | \$ 38,307,677 | \$ 42,182,281 |
| Liabilities | <u>(12,759,127)</u> | <u>(13,396,700)</u> |
| Net Position | <u>\$ 25,548,550</u> | <u>\$ 28,785,581</u> |

At December 31, 2015 and 2016, respectively, the liabilities above include approximately \$11.5 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately \$106,000.

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> | |
|-----------------------------|------------|
| 2014 | \$ 155,417 |
| 2015 | 170,415 |
| 2016 | 168,350 |

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

Workers Compensation

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 16: 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, 2016, there were three series of revenue bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of \$11,584,276 and \$3,205,000, respectively.

NOTE 17: 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, 2016.

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City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18: FUND BALANCE

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

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

| | General Fund | Fire Fund | Other Governmental Funds | Total |
|----------------------------------|---------------------|-------------------|--------------------------------|---------------------|
| Nonspendable for: | | | | |
| Materials and Supplies Inventory | \$ 0 | \$ 0 | \$ 37,930 | \$ 37,930 |
| Prepaid Items | 20,031 | 828 | 3,021 | 23,880 |
| Unclaimed Monies | 29,598 | 0 | 0 | 29,598 |
| Total Nonspendable | <u>49,629</u> | <u>828</u> | <u>40,951</u> | <u>91,408</u> |
| Restricted for: | | | | |
| Capital Outlay | 0 | 0 | 195,775 | 195,775 |
| Motor Vehicle & Gasoline Tax | 0 | 0 | 80,092 | 80,092 |
| Street Improvement | 0 | 0 | 1,366,891 | 1,366,891 |
| Special Projects | 0 | 0 | 389,481 | 389,481 |
| Debt Service | 0 | 0 | 41,240 | 41,240 |
| Municipal Court | 0 | 0 | 39,429 | 39,429 |
| FEMA | 0 | 0 | 2,989 | 2,989 |
| Northwood Cemetary | 0 | 0 | 398,326 | 398,326 |
| Fire | 0 | 374,070 | 0 | 374,070 |
| Other Purposes | 0 | 0 | 804,668 | 804,668 |
| Total Restricted | <u>0</u> | <u>374,070</u> | <u>3,318,891</u> | <u>3,692,961</u> |
| Committed for: | | | | |
| Park Side Tasty Treat | 0 | 0 | 39 | 39 |
| Code Violation | 0 | 0 | 34,123 | 34,123 |
| Fire Capital Equipment | 0 | 0 | 41,458 | 41,458 |
| Capital Improvement | 0 | 0 | 334,413 | 334,413 |
| Total Committed | <u>0</u> | <u>0</u> | <u>410,033</u> | <u>410,033</u> |
| Assigned for: | | | | |
| Encumbrances | | | | |
| General Government | 1,987 | 0 | 0 | 1,987 |
| Security of Persons & Property | 43,528 | 0 | 0 | 43,528 |
| Community Development | 1,108 | 0 | 0 | 1,108 |
| Leisure Time Activities | 4,478 | 0 | 0 | 4,478 |
| Other Purposes | 208,097 | 0 | 0 | 208,097 |
| Subsequent Year Appropriations | 1,328,765 | 0 | 0 | 1,328,765 |
| Total Assigned | <u>1,587,963</u> | <u>0</u> | <u>0</u> | <u>1,587,963</u> |
| Unassigned | <u>438,816</u> | <u>0</u> | <u>0</u> | <u>438,816</u> |
| Total Fund Balance | <u>\$ 2,076,408</u> | <u>\$ 374,898</u> | <u>\$ 3,769,875</u> | <u>\$ 6,221,181</u> |

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | |
| City's Proportion of the Net Pension Liability | 0.0345060% | 0.0344850% | 0.0344850% |
| City's Proportionate Share of the Net Pension Liability | \$ 5,976,874 | \$ 4,159,276 | \$ 4,065,332 |
| City's Covered-Employee Payroll | \$ 4,294,375 | \$ 4,227,858 | \$ 3,235,331 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 139.18% | 98.38% | 125.65% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 81.08% | 86.45% | 86.36% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | |
| City's Proportion of the Net Pension Liability | 0.1250810% | 0.1246445% | 0.1246445% |
| City's Proportionate Share of the Net Pension Liability | \$ 8,046,549 | \$ 6,457,105 | \$ 6,070,578 |
| City's Covered-Employee Payroll | \$ 2,598,758 | \$ 2,469,624 | \$ 2,374,669 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 309.63% | 261.46% | 255.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 66.77% | 72.20% | 73.00% |

(1) Information prior to 2014 is not available.

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

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 512,228 | \$ 515,325 | \$ 507,343 | \$ 420,593 |
| Contributions in Relation to the Contractually Required Contribution | <u>(512,228)</u> | <u>(515,325)</u> | <u>(507,343)</u> | <u>(420,593)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 4,268,567 | \$ 4,294,375 | \$ 4,227,858 | \$ 3,235,331 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 12.00% | 13.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 520,431 | \$ 549,101 | \$ 521,629 | \$ 423,217 |
| Contributions in relation to the contractually required contribution | <u>(520,431)</u> | <u>(549,101)</u> | <u>(521,629)</u> | <u>(423,217)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 2,455,940 | \$ 2,598,758 | \$ 2,469,624 | \$ 2,374,669 |
| Contributions as a percentage of covered-employee payroll | 21.19% | 21.13% | 21.12% | 17.82% |

(n/a) Information prior to 2013 is not available.

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| \$ 496,061 | \$ 369,797 | \$ 343,429 | \$ 344,633 | \$ 346,036 | \$ 340,909 |
| <u>(496,061)</u> | <u>(369,797)</u> | <u>(343,429)</u> | <u>(344,633)</u> | <u>(346,036)</u> | <u>(340,909)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 3,352,453 | \$ 2,486,562 | \$ 2,361,014 | \$ 2,300,432 | \$ 2,322,571 | \$ 2,292,204 |
| 14.80% | 14.87% | 14.55% | 14.98% | 14.90% | 14.87% |

**CITY OF CAMBRIDGE
GUERNSEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| Federal Grantor/ Pass Through Grantor/ Program Grant Title | Pass Through Entity Number | CFDA Number | Expenditures |
|---|-------------------------------|----------------|----------------------------|
| U.S. Department of Justice | | | |
| <i>Passed through the Ohio Attorney General's Office:</i> | | | |
| Crime Victim Assistance | 2015VA-GENE-029 | 16.575 | \$ 1,000 |
| Crime Victim Assistance | 2016VA-GENE-029 | 16.575 | <u>17,775</u> |
| Total U.S. Department of Justice | | | <u>18,775</u> |
| U.S. Department of Transportation; Federal Highway Administration | | | |
| <i>Passed through the Ohio Department of Transportation:</i> | | | |
| Highway Planning and Construction | 93722 | 20.205 | <u>1,814,030</u> |
| Total U.S. Department of Transportation; Federal Highway Administration | | | <u>1,814,030</u> |
| U.S. Department of Housing and Urban Development | | | |
| <i>Passed through Ohio Development Services Agency:</i> | | | |
| Community Development Block Grant | A-C-16-2AS-1 | 14.228 | <u>8,000</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>8,000</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 1,840,805</u></u> |

The accompanying notes are an integral part of this schedule.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Cambridge, Guernsey County (the City) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 complied with the matching requirements. The expenditure of non-Federal funds is not included on the Schedule.

NOTE D – 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 persons. 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 by the underlying property.

Activity in the revolving loan program during 2016 as follows:

| | <u>Amount</u> |
|---|------------------------|
| Beginning loans receivable balance as of January 1, 2016 | \$34,947 |
| Loans made | 0 |
| Loan principal repaid | 0 |
| Ending loans receivable balance as of December 31, 2016 | <u>\$34,947</u> |
| Cash balance on hand in the revolving loan fund as of December 31, 2016 | <u><u>\$90,293</u></u> |

The table above reports gross loans receivable and the City considers all balances to be collectible in full.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE E – OHIO DEPARTMENT OF TRANSPORTATION

The Ohio Department of Transportation (ODOT) C.F.D.A. 20.205 is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (the State) with exception of the Ohio Turnpike. In addition to highways, the department also helps develop public transportation and public aviation programs. The Schedule details expenditures incurred by the City in the year they were paid. Due to timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the Schedule may not coincide with expenditures reported by ODOT.

| | |
|--|--------------------|
| Amounts reimbursed to the City by ODOT during 2016 | \$0 |
| ODOT on behalf of the City during 2016 | 1,708,593 |
| Federal expenditures reported in prior year schedules | (8,993) |
| Amount expended by the City in 2016 not reimbursed in 2016 | 114,430 |
| Expended and reported by the City in calendar year 2016 | <u>\$1,814,030</u> |



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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2017.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 23, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

To City Council:

Report on Compliance for The Major Federal Program

We have audited the City of Cambridge's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Cambridge's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Cambridge's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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FAX (740) 345-5635

Opinion on The Major Federal Program

In our opinion, the City of Cambridge complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

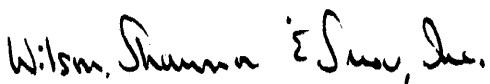
Report on Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Newark, Ohio
June 23, 2017

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Highway Planning and Construction, CFDA #20.205 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | Yes |

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|------------------------|---------------|-------------------------------|
| 2015-001 | Financial Reporting | Corrected | Not Applicable |

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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
AUGUST 24, 2017**