

City of Cambridge
Audited Financial Statements

December 31, 2007



Mary Taylor, CPA
Auditor of State

City Council
City of Cambridge
1131 Steubenville Avenue
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the City of Cambridge, Guernsey County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

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Auditor of State

July 25, 2008

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2007

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 20, 2008

Mayor and Members of Council
City of Cambridge
Cambridge, OH 43725

Independent Auditor's Report

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 (the "City"), Guernsey County, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cambridge, Ohio as of December 31, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Fire Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 20, 2008 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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, 2007. 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 2007 are as follows:

- General Revenues accounted for \$7,888,569 in revenue or 45 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$9,644,642 or 55 percent of total revenues of \$17,533,211.
- Total program expenses were \$14,513,129, \$10,302,579 in governmental activities and \$4,210,550 in business-type activities.
- In total, net assets increased \$3,020,082. Net assets of governmental activities increased \$1,800,459. Net assets of business-type activities increased \$1,219,623.
- Outstanding bonded debt decreased to \$6,574,135 from \$7,389,293 through principal payments.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2007 and how they affected the operations of the City as a whole.

Reporting the City of Cambridge as a Whole

Statement of Net Assets and the Statement of Activities

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

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

A question typically asked about the City's finances "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

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

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

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

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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

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

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

The City of Cambridge as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

(Table 1)
Net Assets

	Governmental		Business-Type		Total 2007	Total 2006
	Activities	Activities	Activities	Activities		
	2007	2006	2007	2006		
Assets:						
Current and Other Assets	\$ 9,237,395	\$ 8,908,589	\$ 6,966,073	\$ 6,206,295	\$ 16,203,468	\$ 15,114,884
Capital Assets	13,626,405	11,542,483	16,962,551	17,349,460	30,588,956	28,891,943
<i>Total Assets</i>	<u>22,863,800</u>	<u>20,451,072</u>	<u>23,928,624</u>	<u>23,555,755</u>	<u>46,792,424</u>	<u>44,006,827</u>
Liabilities:						
Long-Term Liabilities	1,791,129	1,443,339	6,128,424	6,945,425	7,919,553	8,388,764
Other Liabilities	2,761,186	2,496,707	510,470	540,223	3,271,656	3,036,930
<i>Total Liabilities</i>	<u>4,552,315</u>	<u>3,940,046</u>	<u>6,638,894</u>	<u>7,485,648</u>	<u>11,191,209</u>	<u>11,425,694</u>
Net Assets:						
Invested In Capital Assets,						
Net of Debt	12,772,392	11,285,432	10,981,224	10,559,553	23,753,616	21,844,985
Restricted	3,615,172	3,741,245		0	3,615,172	3,741,245
Unrestricted	1,923,921	1,484,349	6,308,506	5,510,554	8,232,427	6,994,903
<i>Total Net Assets</i>	<u>\$ 18,311,485</u>	<u>\$ 16,511,026</u>	<u>\$ 17,289,730</u>	<u>\$ 16,070,107</u>	<u>\$ 35,601,215</u>	<u>\$ 32,581,133</u>

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Total assets increased by \$2,785,597 with governmental assets increasing \$2,412,728 and business-type assets increasing \$372,869. An increase of \$1,435,773 in total capital assets reflects additional purchases exceeding depreciation expense see pages 7 and 8 for a more detailed analysis of the City's assets. The majority of the increase was in governmental assets. Total liabilities decreased by \$234,485.

Total net assets increased by \$3,020,082. This number reflects an increase in both governmental activities and business-type activities.

Table 2 shows the changes in net assets for fiscal year 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	Total
	Activities	Activities	Activities	Activities		
	2007	2006	2007	2006		
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,875,116	\$ 1,700,083	\$ 5,417,406	\$ 5,208,720	\$ 7,292,522	\$ 6,908,803
Operating Grants	1,269,223	1,259,841	0	450,500	1,269,223	1,710,341
Capital Grants	1,082,897	31,473	0	12,773	1,082,897	44,246
<i>General Revenue:</i>						
Property Taxes	1,689,159	1,638,427	0	0	1,689,159	1,638,427
Income Taxes	4,419,679	4,332,398	0	0	4,419,679	4,332,398
Grants and Entitlements	1,030,269	922,344	0	0	1,030,269	922,344
Unrestricted Contributions	22,000	0	0	0	22,000	0
Investments	421,467	408,274	7,547	5,178	429,014	413,452
Other	293,228	277,001	5,220	29,927	298,448	306,928
Total Revenues	12,103,038	10,569,841	5,430,173	5,707,098	17,533,211	16,276,939
Program Expenses						
General Government	2,635,150	2,706,114	0	0	2,635,150	2,706,114
Security of Persons and Property	4,379,962	5,053,888	0	0	4,379,962	5,053,888
Transportation	1,547,242	501,789	0	0	1,547,242	501,789
Public Health Services	230,773	253,378	0	0	230,773	253,378
Community Environment	427,010	589,322	0	0	427,010	589,322
Leisure Time Services	1,045,640	818,280	0	0	1,045,640	818,280
Interest and Fiscal Charges	36,802	38,569	0	0	36,802	38,569
<i>Enterprise Operations:</i>						
Water	0	0	1,942,473	2,294,778	1,942,473	2,294,778
Sewer	0	0	2,268,077	2,057,855	2,268,077	2,057,855
Total Program Expenses	10,302,579	9,961,340	4,210,550	4,352,633	14,513,129	14,313,973
Increase in Net Assets	\$ 1,800,459	\$ 608,501	\$ 1,219,623	\$ 1,354,465	\$ 3,020,082	\$ 1,962,966

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Governmental Activities

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

The City's income tax is at a rate of 1.5 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 1.5 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$4,379,962 represents 42.5 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.

Our Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,547,242 during 2007.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,276,413 in 2007 equaling 12.4 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2007, charges for services of \$5,417,406 accounted for 99.8 percent of the business type revenues. The total expenses for the utilities were \$4,210,550, thus leaving an increase in net assets of \$1,219,623 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$13,403,898 and expenditures and other financing uses of \$13,086,134. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 18. These funds are accounted for on an accrual basis. All enterprise funds had operating revenues of \$5,422,626, which exceeded operating expenses of \$3,937,820 by \$1,484,806 or 27.4 of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 2007, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the final budget basis revenue was \$5,290,006, representing an increase of \$110,232 over the original budget estimate of \$5,179,774. Most of this difference was attributable to an increase in intergovernmental revenue and other operating revenue.

Final appropriations of \$5,613,655 were \$41,259 higher than the \$5,572,396 in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2007, the City had \$30,327,716 invested in land, infrastructure, buildings, improvements, equipment, furniture, water and sewer lines, vehicles and construction in progress. A total of \$13,365,165 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2007 balances compared with 2006.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,946,495	\$ 1,924,495	\$ 201,041	\$ 201,041	\$ 2,147,536	\$ 2,125,536
Infrastructure	5,546,839	5,356,901	0	0	5,546,839	5,356,901
Land Improvements	49,692	29,617	0	0	49,692	29,617
Buildings	1,911,304	1,915,780	5,511,238	5,448,842	7,422,542	7,364,622
Improvements Other						
Than Buildings	782,231	775,643	6,715,206	6,861,571	7,497,437	7,637,214
Equipment and Machinery	1,104,415	665,533	550,858	510,530	1,655,273	1,176,063
Furniture and Equipment	18,454	21,928	1	1	18,455	21,929
Vehicles	190,308	233,675	157,972	209,408	348,280	443,083
Water Lines	0	0	1,494,448	1,468,383	1,494,448	1,468,383
Sewer Lines	0	0	2,331,787	2,390,576	2,331,787	2,390,576
Construction in Progress	1,815,427	618,911	0	259,108	1,815,427	878,019
Totals	<u>\$ 13,365,165</u>	<u>\$ 11,542,483</u>	<u>\$ 16,962,551</u>	<u>\$ 17,349,460</u>	<u>\$ 30,327,716</u>	<u>\$ 28,891,943</u>

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

The \$1,435,773 increase in capital assets was attributable to the purchase of equipment for the street, leisure time activities and cemetery departments. The City also has the Wills Creek project and a sidewalk project which make up the governmental activities construction in process at the end of 2007. The additions in the City's business type activities are largely related to the purchase of a new lift station, and water line and water tank improvements. Note 9 provides capital asset activity during the 2007 year. The City capitalized general infrastructure for governmental activities.

Debt

The outstanding debt for the City of Cambridge as of December 31, 2007 was \$6,574,135. This balance reflected a reduction of \$815,158 from the previous year's balance of \$7,389,293, a reduction of 11 percent. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 1,773,000	\$ 1,958,000	\$ 1,773,000	\$ 1,958,000
Special Assessment Bonds	124,368	134,241	0	0	124,368	134,241
OWDA Loans	0	0	4,024,834	4,622,829	4,024,834	4,622,829
OPWC Loans	0	0	129,120	138,343	129,120	138,343
Police and Fire Pension	511,640	521,337	0	0	511,640	521,337
Ford Ranger Loan	11,173	14,543	0	0	11,173	14,543
<i>Total</i>	<u>\$ 647,181</u>	<u>\$ 670,121</u>	<u>\$ 5,926,954</u>	<u>\$ 6,719,172</u>	<u>\$ 6,574,135</u>	<u>\$ 7,389,293</u>

The general obligation bonds are composed of recreational facility bonds that were used for the construction of a swimming pool. The principal and interest for these bonds were paid from the collection of property taxes.

The special assessment bonds consist of waterline and sewerline improvements. The principal and interest for these bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

Additional information concerning the City's debt can be found in Note 14 to the basic financial statements.

Economic Factors

The City had several projects initiated in 2007 with construction scheduled to be completed in 2008. The Brookside Road, Waterline and Campbell Avenue bridge projects are underway. The Skate Park equipment will be installed in early June 2008. In 2007, The City conducted its annual street resurfacing project in addition to the road and sidewalk projects along Wills Creek Drive. The City continues to use ODOT, OPWC, CDBG and departmental budgets to get this work completed.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suellen Johnson, Auditor of City of Cambridge, 1131 Steubenville Ave., Cambridge, Ohio 43725 or email camb-auditor@cambridgeoh.org.

City of Cambridge
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,917,282	\$ 5,460,448	\$ 9,377,730
Cash and Cash Equivalents in Segregated Accounts	776,663	0	776,663
Investments	58,846	0	58,846
Materials and Supplies Inventory	7,984	23,167	31,151
Accounts Receivable	113,533	1,304,536	1,418,069
Internal Balances	2,611	(2,611)	0
Intergovernmental Receivable	941,012	0	941,012
Prepaid Items	10,422	12,537	22,959
Taxes Receivable	3,134,221	0	3,134,221
Loans Receivable	173,258	0	173,258
Deferred Charges	2,682	0	2,682
Special Assessments Receivable	98,880	0	98,880
Restricted Assets:			
Cash and Cash Equivalents	0	167,996	167,996
Deposit on Capital Asset	261,241	0	261,241
Non-Depreciable Capital Assets	3,761,922	201,041	3,962,963
Depreciable Capital Assets, Net	9,603,243	16,761,510	26,364,753
<i>Total Assets</i>	<u>22,863,800</u>	<u>23,928,624</u>	<u>46,792,424</u>
Liabilities			
Accounts Payable	76,225	114,924	191,149
Accrued Wages	312,830	86,488	399,318
Contracts Payable	132,709	0	132,709
Intergovernmental Payable	266,966	45,457	312,423
Accrued Vacation Leave Payable	267,737	90,020	357,757
Accrued Interest Payable	604	5,585	6,189
Customer Deposits Payable	0	167,996	167,996
Claims Payable	12,848	0	12,848
Deferred Revenue	1,691,267	0	1,691,267
Long-Term Liabilities:			
Due Within One Year	146,236	853,581	999,817
Due in More Than One Year	1,644,893	5,274,843	6,919,736
<i>Total Liabilities</i>	<u>4,552,315</u>	<u>6,638,894</u>	<u>11,191,209</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,772,392	10,981,224	23,753,616
Restricted for Debt Service	157,122	0	157,122
Restricted for Capital Outlay	242,987	0	242,987
Restricted for Other Purposes	3,215,063	0	3,215,063
Unrestricted	1,923,921	6,308,506	8,232,427
<i>Total Net Assets</i>	<u>\$ 18,311,485</u>	<u>\$ 17,289,730</u>	<u>\$ 35,601,215</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,635,150	\$ 1,038,607	\$ 0	\$ 0	\$ (1,596,543)	\$ 0	\$ (1,596,543)
Security of Persons and Property	4,379,962	412,387	413,282	15,900	(3,538,393)	0	(3,538,393)
Public Health	230,773	130,306	0	0	(100,467)	0	(100,467)
Leisure Time Services	1,045,640	251,208	24,200	0	(770,232)	0	(770,232)
Community and Economic Development	427,010	29,866	74,751	0	(322,393)	0	(322,393)
Transportation	1,547,242	12,742	756,990	1,066,997	289,487	0	289,487
Interest and Fiscal Charges	36,802	0	0	0	(36,802)	0	(36,802)
<i>Total Governmental Activities</i>	<u>10,302,579</u>	<u>1,875,116</u>	<u>1,269,223</u>	<u>1,082,897</u>	<u>(6,075,343)</u>	<u>0</u>	<u>(6,075,343)</u>
Business-Type Activities:							
Sewer Fund	1,942,473	2,614,631	0	0	0	672,158	672,158
Water Fund	2,268,077	2,802,775	0	0	0	534,698	534,698
<i>Total Business-Type Activities</i>	<u>4,210,550</u>	<u>5,417,406</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,206,856</u>	<u>1,206,856</u>
<i>Total - Primary Government</i>	<u>\$ 14,513,129</u>	<u>\$ 7,292,522</u>	<u>\$ 1,269,223</u>	<u>\$ 1,082,897</u>	<u>(6,075,343)</u>	<u>1,206,856</u>	<u>(4,868,487)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					345,952	0	345,952
Police and Fire Services					1,343,207	0	1,343,207
Income Taxes Levied for:							
General Purposes					3,093,814	0	3,093,814
Other Purposes					1,325,865	0	1,325,865
Grants and Entitlements not Restricted to Specific Programs					1,030,269	0	1,030,269
Unrestricted Contributions					22,000	0	22,000
Investment Earnings					421,467	7,547	429,014
Miscellaneous					293,228	5,220	298,448
<i>Total General Revenues</i>					<u>7,875,802</u>	<u>12,767</u>	<u>7,888,569</u>
<i>Change in Net Assets</i>					1,800,459	1,219,623	3,020,082
<i>Net Assets, Beginning of Year</i>					<u>16,511,026</u>	<u>16,070,107</u>	<u>32,581,133</u>
<i>Net Assets, End of Year</i>					<u>\$ 18,311,485</u>	<u>\$ 17,289,730</u>	<u>\$ 35,601,215</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 784,630	\$ 384,224	\$ 2,748,428	\$ 3,917,282
Cash and Cash Equivalents in Segregated Accounts	0	0	770,963	770,963
Investments	0	0	58,846	58,846
Materials and Supplies Inventory	0	0	7,984	7,984
Accounts Receivable	80,628	0	32,905	113,533
Intergovernmental Receivable	399,520	30,296	511,196	941,012
Prepaid Items	6,652	877	2,893	10,422
Taxes Receivable	1,234,902	1,438,899	460,420	3,134,221
Loans Receivable	0	0	173,258	173,258
Special Assessments Receivable	0	0	98,880	98,880
<i>Total Assets</i>	<u>\$ 2,506,332</u>	<u>\$ 1,854,296</u>	<u>\$ 4,865,773</u>	<u>\$ 9,226,401</u>
Liabilities				
Accounts Payable	32,773	16,159	27,293	76,225
Accrued Wages	196,283	69,205	47,342	312,830
Contracts Payable	0	0	132,709	132,709
Intergovernmental Payable	152,960	90,699	23,307	266,966
Deferred Revenue	827,458	1,466,543	652,936	2,946,937
<i>Total Liabilities</i>	<u>1,209,474</u>	<u>1,642,606</u>	<u>883,587</u>	<u>3,735,667</u>
Fund Balances				
Reserved for Encumbrances	7,640	1,293	70,028	78,961
Reserved for Loans Receivable	0	0	173,258	173,258
Unreserved, Undesignated, Reported in:				
General Fund	1,289,218	0	0	1,289,218
Special Revenue Funds	0	210,397	3,230,919	3,441,316
Debt Service Funds	0	0	79,217	79,217
Capital Projects Funds	0	0	428,764	428,764
<i>Total Fund Balances</i>	<u>1,296,858</u>	<u>211,690</u>	<u>3,982,186</u>	<u>5,490,734</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,506,332</u>	<u>\$ 1,854,296</u>	<u>\$ 4,865,773</u>	<u>\$ 9,226,401</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007*

Total Governmental Fund Balances		\$ 5,490,734
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,365,165
Deposit on capital asset used in governmental activities is not a financial resource and therefore is not reported in the funds.		261,241
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 251,984	
Income Tax	192,647	
Intergovernmental	712,159	
Charges for Services	98,880	
Total	1,255,670	1,255,670
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(4,537)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(604)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		2,682
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special Assessment Bonds	(124,368)	
Accrued Vacation Payable	(267,737)	
Capital Leases	(459,913)	
Police and Fire Pension	(511,640)	
Installment Loan	(11,173)	
Compensated Absences	(684,035)	
Total	(2,058,866)	(2,058,866)
 <i>Net Assets of Governmental Activities</i>		 \$ 18,311,485

City of Cambridge
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 340,693	\$ 1,235,398	\$ 88,878	\$ 1,664,969
Income Taxes	3,053,786	0	1,308,726	4,362,512
Special Assessments	0	0	13,428	13,428
Charges for Services	0	172,389	347,603	519,992
Licenses and Permits	167,841	0	0	167,841
Fines and Forfeitures	697,227	0	459,890	1,157,117
Intergovernmental	965,746	274,060	2,421,145	3,660,951
Interest	339,426	0	82,041	421,467
Rent	23,785	300	0	24,085
Contributions and Donations	22,000	0	24,200	46,200
Other	145,464	2,314	121,400	269,178
<i>Total Revenues</i>	<u>5,755,968</u>	<u>1,684,461</u>	<u>4,867,311</u>	<u>12,307,740</u>
Expenditures				
Current:				
General Government	2,362,686	0	204,374	2,567,060
Security of Persons and Property	2,216,081	1,454,473	629,095	4,299,649
Public Health	0	0	205,935	205,935
Leisure Time Services	564,019	0	338,477	902,496
Community and Economic Development	173,836	0	268,817	442,653
Transportation	0	0	1,306,691	1,306,691
Capital Outlay	32,955	334,438	2,211,284	2,578,677
Debt Service:				
Principal Retirements	20,491	0	46,332	66,823
Interest and Fiscal Charges	4,343	0	31,883	36,226
<i>Total Expenditures</i>	<u>5,374,411</u>	<u>1,788,911</u>	<u>5,242,888</u>	<u>12,406,210</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>381,557</u>	<u>(104,450)</u>	<u>(375,577)</u>	<u>(98,470)</u>
Other Financing Sources and (Uses)				
Transfers In	0	0	679,924	679,924
Proceeds from Sale of Capital Assets	0	0	24,050	24,050
Inception of Capital Lease	0	280,311	111,873	392,184
Transfers Out	(456,413)	(223,511)	0	(679,924)
<i>Total Other Financing Sources and (Uses)</i>	<u>(456,413)</u>	<u>56,800</u>	<u>815,847</u>	<u>416,234</u>
<i>Net Change in Fund Balance</i>	(74,856)	(47,650)	440,270	317,764
<i>Fund Balance, Beginning of Year</i>	<u>1,371,714</u>	<u>259,340</u>	<u>3,541,916</u>	<u>5,172,970</u>
<i>Fund Balance, End of Year</i>	<u>\$ 1,296,858</u>	<u>\$ 211,690</u>	<u>\$ 3,982,186</u>	<u>\$ 5,490,734</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds	\$	317,764
 <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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,563,269	
Deposit on Capital Assets	261,241	
Current Year Depreciation	<u>(685,743)</u>	2,138,767
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(54,844)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	24,190	
Income Tax	57,167	
Intergovernmental	(302,762)	
Charges for Services	<u>(7,347)</u>	(228,752)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		87
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Bond Issuance Costs	(536)	
Bond Discount	<u>(127)</u>	(663)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Police and Fire Pension	9,697	
Installment Loans	3,370	
Special Assessment Bonds	10,000	
Capital Leases	<u>43,756</u>	66,823
Inception of capital leases in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.		
		(392,184)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Payable	(15,049)	
Compensated Absences	<u>(22,302)</u>	(37,351)
The internal service funds used by management to charge the cost of insurance to individual funds in not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.		
		<u>(9,188)</u>
<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>1,800,459</u></u>

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 316,000	\$ 266,464	\$ 340,693	\$ 74,229
Income Taxes	2,980,000	2,980,000	3,053,122	73,122
Licenses and Permits	153,000	153,000	140,818	(12,182)
Fines and Forfeitures	645,000	645,000	715,803	70,803
Intergovernmental	789,274	838,810	1,009,438	170,628
Interest	250,000	250,000	371,175	121,175
Rent	20,000	20,000	23,785	3,785
Contributions and Donations	0	0	22,000	0
Other	26,500	136,732	144,964	8,232
<i>Total Revenues</i>	<u>5,179,774</u>	<u>5,290,006</u>	<u>5,821,798</u>	<u>509,792</u>
Expenditures				
Current:				
General Government	2,409,302	2,540,188	2,407,358	132,830
Security of Persons and Property	2,396,035	2,223,602	2,205,469	18,133
Leisure Time Services	589,519	634,519	555,989	78,530
Community and Economic Development	177,540	177,540	173,271	4,269
Capital Outlay	0	12,972	32,955	(19,983)
Debt Service:				
Principal Retirements	0	20,491	20,491	0
Interest and Fiscal Charges	0	4,343	4,343	0
<i>Total Expenditures</i>	<u>5,572,396</u>	<u>5,613,655</u>	<u>5,399,876</u>	<u>213,779</u>
Excess of Revenues Over (Under) Expenditures	<u>(392,622)</u>	<u>(323,649)</u>	<u>421,922</u>	<u>723,571</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>(256,500)</u>	<u>(456,473)</u>	<u>(456,413)</u>	<u>60</u>
Net Change in Fund Balance	(649,122)	(780,122)	(34,491)	745,631
Fund Balance, Beginning of Year	742,945	742,945	742,945	0
Prior Year Encumbrances Appropriated	<u>26,575</u>	<u>26,575</u>	<u>26,575</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 120,398</u>	<u>\$ (10,602)</u>	<u>\$ 735,029</u>	<u>\$ 745,631</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 1,145,865	\$ 989,758	\$ 1,235,398	\$ 245,640
Charges for Services	172,389	172,389	172,389	0
Intergovernmental	94,204	280,348	273,797	(6,551)
Rent	0	0	300	300
Other	25,000	25,000	2,314	(22,686)
<i>Total Revenues</i>	<u>1,437,458</u>	<u>1,467,495</u>	<u>1,684,198</u>	<u>216,703</u>
Expenditures				
Current:				
Security of Persons and Property	1,440,056	1,520,390	1,459,554	60,836
Capital Outlay	0	54,127	54,127	0
<i>Total Expenditures</i>	<u>1,440,056</u>	<u>1,574,517</u>	<u>1,513,681</u>	<u>60,836</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,598)</u>	<u>(107,022)</u>	<u>170,517</u>	<u>277,539</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>(234,954)</u>	<u>(223,511)</u>	<u>(223,511)</u>	<u>0</u>
Net Change in Fund Balance	(237,552)	(330,533)	(52,994)	277,539
Fund Balance, Beginning of Year	411,877	411,877	411,877	0
Prior Year Encumbrances Appropriated	<u>9,222</u>	<u>9,222</u>	<u>9,222</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 183,547</u>	<u>\$ 90,566</u>	<u>\$ 368,105</u>	<u>\$ 277,539</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,657,977	\$ 2,802,471	\$ 5,460,448	\$ 0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	5,700
Materials and Supplies Inventory	0	23,167	23,167	0
Accounts Receivable	654,955	649,581	1,304,536	0
Prepaid Items	3,332	9,205	12,537	0
<i>Total Current Assets</i>	<u>3,316,264</u>	<u>3,484,424</u>	<u>6,800,688</u>	<u>5,700</u>
<i>Non-Current Assets:</i>				
Restricted Cash and Cash Equivalents	0	167,996	167,996	0
Non-Depreciable Capital Assets	58,512	142,529	201,041	0
Depreciable Capital Assets, Net	9,170,398	7,591,112	16,761,510	0
<i>Total Non-Current Assets</i>	<u>9,228,910</u>	<u>7,901,637</u>	<u>17,130,547</u>	<u>0</u>
<i>Total Assets</i>	<u>12,545,174</u>	<u>11,386,061</u>	<u>23,931,235</u>	<u>5,700</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	40,852	74,072	114,924	0
Accrued Wages	38,358	48,130	86,488	0
Intergovernmental Payable	21,272	24,185	45,457	0
Accrued Vacation Leave Payable	42,876	47,144	90,020	0
Accrued Interest Payable	0	5,585	5,585	0
Customer Deposits Payable	0	167,996	167,996	0
Claims Payable	0	0	0	12,848
Compensated Absences Payable	4,565	4,361	8,926	0
Capital Leases Payable	2,238	14,975	17,213	0
Revenue Bonds Payable	0	193,000	193,000	0
OPWC Loan Payable	0	9,223	9,223	0
OWDA Loans Payable	436,597	188,622	625,219	0
<i>Total Current Liabilities</i>	<u>586,758</u>	<u>777,293</u>	<u>1,364,051</u>	<u>12,848</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	50,377	87,795	138,172	0
Revenue Bonds Payable - Net of Current Portion	0	1,580,000	1,580,000	0
Capital Leases Payable - Net of Current Portion	15,552	21,607	37,159	0
OPWC Loan Payable - Net of Current Portion	0	119,897	119,897	0
OWDA Loans Payable - Net of Current Portion	1,175,838	2,223,777	3,399,615	0
<i>Total Long-Term Liabilities</i>	<u>1,241,767</u>	<u>4,033,076</u>	<u>5,274,843</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,828,525</u>	<u>4,810,369</u>	<u>6,638,894</u>	<u>12,848</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,598,687	3,382,537	10,981,224	0
Unrestricted	3,117,962	3,193,155	6,311,117	(7,148)
<i>Total Net Assets</i>	<u>\$ 10,716,649</u>	<u>\$ 6,575,692</u>	<u>17,292,341</u>	<u>\$ (7,148)</u>

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

Net assets of business-type activities.

(2,611)

\$ 17,289,730

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Operating Revenues				
Charges for Services	\$ 2,614,631	\$ 2,802,775	\$ 5,417,406	\$ 67,689
Other	3,894	1,326	5,220	0
<i>Total Operating Revenues</i>	<u>2,618,525</u>	<u>2,804,101</u>	<u>5,422,626</u>	<u>67,689</u>
Operating Expenses				
Personal Services	829,182	964,337	1,793,519	0
Contractual Services	340,247	248,952	589,199	5,289
Materials and Supplies	370,654	468,393	839,047	0
Claims	0	0	0	74,474
Depreciation	310,993	404,883	715,876	0
Other	179	0	179	0
<i>Total Operating Expenses</i>	<u>1,851,255</u>	<u>2,086,565</u>	<u>3,937,820</u>	<u>79,763</u>
<i>Operating Income (Loss)</i>	<u>767,270</u>	<u>717,536</u>	<u>1,484,806</u>	<u>(12,074)</u>
Non-Operating Revenues (Expenses)				
Interest	7,547	0	7,547	9
Interest and Fiscal Charges	(89,776)	(180,077)	(269,853)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(82,229)</u>	<u>(180,077)</u>	<u>(262,306)</u>	<u>9</u>
<i>Change in Net Assets</i>	685,041	537,459	1,222,500	(12,065)
<i>Net Assets, Beginning of Year</i>	<u>10,031,608</u>	<u>6,038,233</u>		<u>4,917</u>
<i>Net Assets, End of Year</i>	<u>\$ 10,716,649</u>	<u>\$ 6,575,692</u>		<u>\$ (7,148)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>(2,877)</u>	
Changes in Net Assets of Business-Type Activities			<u>\$ 1,219,623</u>	

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,596,764	\$ 2,843,974	\$ 5,440,738	\$ 67,689
Other Operating Receipts	3,894	1,326	5,220	0
Cash Payments to Suppliers for Goods and Services	(395,542)	(493,427)	(888,969)	0
Cash Payments to Employees	(847,000)	(946,769)	(1,793,769)	0
Cash Payments for Contractual Services	(323,772)	(184,479)	(508,251)	(5,289)
Claims Paid	0	0	0	(66,262)
	<u>1,034,344</u>	<u>1,220,625</u>	<u>2,254,969</u>	<u>(3,862)</u>
<i>Net Cash Provided by (Used For) Operating Activities</i>				
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(149,494)	(259,385)	(408,879)	0
Payments on Capital Leases	0	(16,363)	(16,363)	0
Principal Payments on Debt	(416,769)	(375,449)	(792,218)	0
Interest Payments	(89,776)	(180,660)	(270,436)	0
	<u>(656,039)</u>	<u>(831,857)</u>	<u>(1,487,896)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>				
Cash Flows from Investing Activities				
Interest	7,547	0	7,547	9
	<u>7,547</u>	<u>0</u>	<u>7,547</u>	<u>9</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>				
	385,852	388,768	774,620	(3,853)
<i>Cash and Cash Equivalents, Beginning of Year</i>				
	2,272,125	2,581,699	4,853,824	9,553
<i>Cash and Cash Equivalents, End of Year</i>				
	<u>\$ 2,657,977</u>	<u>\$ 2,970,467</u>	<u>\$ 5,628,444</u>	<u>\$ 5,700</u>

(Continued)

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities				
Operating Income (Loss)	\$ 767,270	\$ 717,536	\$ 1,484,806	\$ (12,074)
Adjustments:				
Depreciation	310,993	404,883	715,876	0
(Increase) Decrease in Assets:				
Accounts Receivable	(17,688)	40,787	23,099	0
Prepaid Items	(176)	(22)	(198)	0
Materials and Supplies Inventory	0	(10,936)	(10,936)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(8,237)	39,516	31,279	0
Customer Deposits Payable	0	11,293	11,293	0
Accrued Wages	9,011	13,546	22,557	0
Accrued Vacation Payable	(3,889)	288	(3,601)	0
Compensated Absences Payable	(16,422)	8,002	(8,420)	0
Claims Payable	0	0	0	8,212
Intergovernmental Payable	(6,518)	(4,268)	(10,786)	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,034,344</u>	<u>\$ 1,220,625</u>	<u>\$ 2,254,969</u>	<u>\$ (3,862)</u>

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

	Private Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 63,346	\$ 246,240
Accounts Receivable	0	6,523
<i>Total Assets</i>	63,346	252,763
Liabilities		
Due to Others	0	252,763
<i>Total Liabilities</i>		\$ 252,763
Net Assets		
Held in Trust for Private Purposes	63,346	
<i>Total Net Assets</i>	\$ 63,346	

The accompanying notes are an integral part of these financial statements.

City of Cambridge
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For The Year Ended December 31, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 1,804
Deductions	
Personal Services	<u>113</u>
<i>Change in Net Assets</i>	1,691
<i>Net Assets, Beginning of Year</i>	<u>61,655</u>
<i>Net Assets, End of Year</i>	<u><u>\$ 63,346</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
December 31, 2007

NOTE 1 – REPORTING ENTITY

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

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

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

Related Organizations

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 1 – REPORTING ENTITY (Continued)

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 90 percent of the funds received by the Authority in 2007; however, the City is not financially accountable for the Authority.

The City is involved with the Southeastern Ohio Narcotics Task Force, which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 17.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements and has not elected to apply Financial Accounting Standards Board (FASB) Statements of Interpretation issued after November 30, 1989 to its enterprise and business-type activities. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

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

C. Measurement Focus

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2007, investments were limited to a certificate of deposit, money markets, and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$339,426, which includes \$308,493 assigned from other City funds.

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

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 - 30 Years	N/A
Buildings	10 - 50 Years	15 - 25 Years
Improvements Other Than Buildings	15 - 30 Years	25 - 65 Years
Equipment and Machinery	5 - 20 Years	5 - 25 Years
Furniture and Fixtures	5 - 20 Years	5 Years
Vehicles	4 - 10 Years	3 - 10 Years
Water/Sewer Lines	N/A	65 Years
Infrastructure	25-75 Years	N/A

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2007, \$99,614 of the City's net assets were restricted by enabling legislation.

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

N. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances and loans receivable.

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Estimates

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

S. Budgetary Data

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

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

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 fire major special revenue fund 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 a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the fire major special revenue fund.

Net Change in Fund Balance

	General	Fire	
GAAP Basis	\$ (74,856)	\$ (47,650)	
Revenue accruals	65,830	(280,574)	
Expenditure accruals	(8,907)	291,349	
Encumbrances	(16,558)	(16,119)	
Budget Basis	\$ (34,491)	\$ (52,994)	

NOTE 4: ACCOUNTABILITY

The following fund had a deficit balance as of December 31, 2007:

Non-major fund:		
VOCA Grant	\$	715
Internal Service Fund		7,148

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, 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 must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAROhio).

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2007, 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 fiscal year-end, the carrying amount of the City's deposits was \$10,268,821. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2007, \$10,105,310 of the City's bank balance of \$10,364,156 was exposed to custodial risk as discussed above, while \$258,846 was covered by Federal Deposit Insurance Corporation.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2007, the City had the following investment and maturity:

Investment Type	Fair Value	6 Months or Less
Repurchase Agreement	\$ 422,000	\$ 422,000

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City’s investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate, and two years or less for investments with a variable interest rate.

Credit Risk. The repurchase agreement is an unrated investment.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. One hundred percent of the City’s investment balance is in the repurchase agreement.

NOTE 6: PROPERTY TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date, and were collected in 2007. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes received in 2007 attached as a lien on December 31, 2006, were levied after October 1, 2007 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value.

2007 tangible personal property taxes are levied after October 1, 2007, on the value listed as of December 31, 2007 and are collected in 2007. Tangible personal property assessments are 35 percent of true value. House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 6: PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2007 was \$12.10 per \$1,000 of assessed value. The assessed value upon which the 2007 tax receipts were based was \$153,763,430. This amount constitutes \$140,860,230 in real property assessed value, \$5,836,380 in public utility assessed value and \$7,066,820 tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is 1.40 percent (14.00 mills) of assessed value.

Real and public utility 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 earlier or later payment dates to be established.

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2007. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2007 operations, the receivable is offset by a credit to deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Tax

The City levies a tax of 1.5 percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 7: RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The special revenue funds reflect loans receivable of \$173,258. 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 reserved because it is not appropriate for expenditures, or is legally segregated for specific use.

NOTE 8: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 456,413
Fire Protection Fund	0	223,511
Non-Major Governmental Funds:		
Tree Fund	5,000	0
Municipal Airport Fund	125,000	0
Fire Pension Fund	223,510	0
Police Pension Fund	195,674	0
Bond Retirement Pool	4,397	0
VOCA	1,643	0
Cemetery Fund	124,700	0
Total Non-Major Governmental Funds	<u>679,924</u>	<u>0</u>
Total All Funds	<u>\$ 679,924</u>	<u>\$ 679,924</u>

The transfer to the Fire Pension Fund from the Fire Protection Fund in the amount of \$223,511, along with the \$195,674 transfer to the Police Pension Fund from the General Fund, was for the purpose of pension payments to the Ohio Police and Fire Pension Fund.

The general fund transferred \$4,397 to the bond retirement fund for debt payments. The remaining transfers from the General Fund to the various other non-major funds were to cover operating costs.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2007 follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,924,495	\$ 22,000	\$ 0	\$ 1,946,495
Construction in Progress	618,911	1,581,795	(385,279)	1,815,427
<i>Total Capital Assets Not Being Depreciated</i>	2,543,406	1,603,795	(385,279)	3,761,922
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	72,571	24,613	0	97,184
Buildings	2,780,816	58,399	0	2,839,215
Improvements Other Than Buildings	1,650,263	83,102	(32,362)	1,701,003
Machinery and Equipment	2,298,384	606,472	(285,759)	2,619,097
Furniture and Fixtures	44,466	0	0	44,466
Vehicles	732,803	24,030	0	756,833
Infrastructure	8,742,893	548,137	0	9,291,030
<i>Total Capital Assets, Being Depreciated</i>	16,322,196	1,344,753	(318,121)	17,348,828
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(42,954)	(4,538)	0	(47,492)
Buildings	(865,036)	(62,875)	0	(927,911)
Improvements Other Than Buildings	(874,620)	(76,514)	32,362	(918,772)
Machinery and Equipment	(1,632,851)	(112,746)	230,915	(1,514,682)
Furniture and Fixtures	(22,538)	(3,474)	0	(26,012)
Vehicles	(499,128)	(67,397)	0	(566,525)
Infrastructure	(3,385,992)	(358,199)	0	(3,744,191)
<i>Total Accumulated Depreciation</i>	(7,323,119)	(685,743)	263,277	(7,745,585)
<i>Total Capital Assets Being Depreciated, Net</i>	8,999,077	659,010	(54,844)	9,603,243
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 11,542,483	\$ 2,262,805	\$ (440,123)	\$ 13,365,165

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 9: CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 27,300
Leisure Time Services	142,215
Security of Persons and Property	77,163
Transportation	416,490
Public Health	<u>22,575</u>
 Total	 <u>\$ 685,743</u>

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in Progress	259,108	79,912	(339,020)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>460,149</u>	<u>79,912</u>	<u>(339,020)</u>	<u>201,041</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	10,042,108	409,543	0	10,451,651
Improvements Other Than Buildings	9,410,749	0	0	9,410,749
Machinery and Equipment	989,763	115,140	0	1,104,903
Furniture and Fixtures	39,839	0	0	39,839
Vehicles	566,366	0	0	566,366
Water Lines	2,774,775	63,392	0	2,838,167
Sewer Lines	4,648,681	0	0	4,648,681
<i>Total Capital Assets, Being Depreciated</i>	<u>28,472,281</u>	<u>588,075</u>	<u>0</u>	<u>29,060,356</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(4,593,266)	(347,147)	0	(4,940,413)
Improvements Other Than Buildings	(2,549,178)	(146,365)	0	(2,695,543)
Machinery and Equipment	(479,233)	(74,812)	0	(554,045)
Furniture and Fixtures	(39,838)	0	0	(39,838)
Vehicles	(356,958)	(51,436)	0	(408,394)
Water Lines	(1,306,392)	(37,327)	0	(1,343,719)
Sewer Lines	(2,258,105)	(58,789)	0	(2,316,894)
<i>Total Accumulated Depreciation</i>	<u>(11,582,970)</u>	<u>(715,876)</u>	<u>0</u>	<u>(12,298,846)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>16,889,311</u>	<u>(127,801)</u>	<u>0</u>	<u>16,761,510</u>
 <i>Total Business-Type Capital Assets, Net</i>	 <u>\$ 17,349,460</u>	 <u>\$ (47,889)</u>	 <u>\$ (339,020)</u>	 <u>\$ 16,962,551</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary: members in public safety contributed 9.75 percent. The employer contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to OPERS for the years ended December 31, 2007, 2006 and 2005 were \$498,508, \$515,775 and \$470,381, respectively. The full amount has been contributed for 2006 and 2005. 93 percent has been contributed for 2007 with the remainder being reported as a fund liability.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006 and 2005 were \$180,773, \$209,650 and \$193,268 for police and \$198,866, \$248,456 and \$230,471 for firefighters, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2006 and 2005. 76 percent and 77 percent has been contributed for 2007.

C. Medicare System

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

NOTE 11: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered as Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of post retirement health care based on authority granted by state statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). The portion of employer contributions allocated to health care was five percent from January 1 through June 30, 2007 and six percent from July 1 through December 31, 2007.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 5 percent annually for the next eight years and 4 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007, which were used to fund postemployment benefits, were \$217,094. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCCP), adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who received or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school on a full-time or two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2007 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

The portion of the 2007 covered payroll that was used to fund postretirement health care benefits was \$81,708 for police and \$72,914 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) were \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 was 14,120 for police and 10,563 for firefighters.

NOTE 12: CONTRACTUAL COMMITMENTS

As of December 31, 2007, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2007
Nicolazakes Trucking & Construction, Inc. - Brookside Avenue Waterline Extension	\$ 83,723	0	83,723
Shelly & Sands, Inc. - Sidewalk Improvement Project	136,483	3,774	132,709
	\$ 220,206	\$ 3,774	\$ 216,432

NOTE 13: COMPENSATED ABSENCES

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

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2007 the liability for unpaid compensated absences was \$831,133.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
Special Assessment Bonds:			
Waterline Improvement - 1997	5.25%	\$ 51,864	12/1/2017
Sewerline Improvement - 1997	5.25%	148,136	12/1/2017
Truck Loan - 2006	4.98%	17,713	4/15/2011
Business-Type Activities:			
Water System Refunding Bonds - 2005	3.78%	1,958,000	12/1/2015
Ohio Public Works Commission - 2002	0.00%	184,457	1/1/2022
Ohio Water Development Authority - 1991	5.00%	5,042,434	1/1/2011
Ohio Water Development Authority - 1999	4.04%	3,873,566	7/1/2018
Ohio Water Development Authority - 2004	3.50%	877,877	1/1/2014

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CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during the year ended December 31, 2007 consisted of the following:

	<u>Principal Balance 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2007</u>	<u>Due in One Year</u>
Governmental Activities					
Long-Term Debt:					
Special Assessment Bonds:					
Waterline Improvement	\$ 35,007	\$ 0	\$ (2,593)	\$ 32,414	\$ 2,593
Unamortized Discount	(197)	33	0	(164)	0
Sewerline Improvement	99,993	0	(7,407)	92,586	7,407
Unamortized Discount	(562)	94	0	(468)	0
Total Special Assessment Bonds	134,241	127	(10,000)	124,368	10,000
2006 Ford Ranger Loan	14,543	0	(3,370)	11,173	3,541
Total Governmental Activities Long-Term Debt	148,784	127	(13,370)	135,541	13,541
Other Long-Term Obligations:					
Compensated absences	661,733	34,668	(12,366)	684,035	39,310
Capital leases	111,485	392,184	(43,756)	459,913	83,271
Accrued pension liability	521,337	0	(9,697)	511,640	10,114
Total other long-term obligations	1,294,555	426,852	(65,819)	1,655,588	132,695
Total governmental activities long- term debt and other long- term obligations	<u>\$ 1,443,339</u>	<u>\$ 426,979</u>	<u>\$ (79,189)</u>	<u>\$ 1,791,129</u>	<u>\$ 146,236</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

	<u>Principal Balance 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2007</u>	<u>Due in One Year</u>
Business-Type Activities					
Long-Term Debt:					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 1,958,000	\$ 0	\$ (185,000)	\$ 1,773,000	\$ 193,000
OWDA Loans:					
Water Pollution Improvement	1,440,332	0	(333,846)	1,106,486	350,746
Water Pollution Improvement	2,593,625	0	(181,226)	2,412,399	188,622
Digester and Sewer Lining	588,872	0	(82,923)	505,949	85,851
Total OWDA Loans	<u>4,622,829</u>	<u>0</u>	<u>(597,995)</u>	<u>4,024,834</u>	<u>625,219</u>
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	138,343	0	(9,223)	129,120	9,223
Total Business-Type Activities					
Long-Term Debt	6,719,172	0	(792,218)	5,926,954	827,442
Other Long-Term Obligations:					
Compensated absences	155,518	0	(8,420)	147,098	8,926
Capital leases	70,735	0	(16,363)	54,372	17,213
Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations					
	<u>\$ 6,945,425</u>	<u>\$ 0</u>	<u>\$ (817,001)</u>	<u>\$ 6,128,424</u>	<u>\$ 853,581</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2007, \$125,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The special assessment debt is being paid from the bond retirement fund.

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2007 was \$903,520 in principal and interest payments through the year 2035. Only the principal amount of \$511,640 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.

During 2006, the City entered into a loan agreement with Peoples Bank for a 2007 Ford Ranger truck for the cemetery. The total amount authorized for the loan was \$17,713. The debt will be repaid with revenues from charges for services in the cemetery fund.

During 2004, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a digester and sewer lining project. The total amount authorized for the loan was \$877,877.

During 1998, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a sludge facility project. The total amount authorized for the loan was \$3,873,566.

In 1991, the City entered into an agreement with the Ohio Water Development Authority (OWDA) for a treatment plant refinancing. The total amount authorized for the loan was \$5,042,434.

OWDA loans will be paid from revenues derived from charges for services in the water and sewer funds.

Water System Refunding Bonds

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

The Ohio Public Works Commission (OPWC) loan will be paid from charges for services from the water fund. Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid. Governmental capital leases are paid from revenues of the general fund and taxes from the street fund. Business-type capital leases are paid from charges for services in the enterprise funds.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

Years	Accrued Pension Liability		Special Assessment Bonds		2006 Truck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 10,114	\$ 21,638	\$ 10,000	\$ 7,250	\$ 3,541	\$ 476
2009	10,549	21,204	10,000	6,670	3,722	296
2010	11,002	20,751	10,000	6,090	3,910	106
2011	11,474	20,278	10,000	5,510	0	0
2012	11,967	19,875	10,000	4,930	0	0
2013-2017	68,002	90,761	75,000	13,050	0	0
2018-2022	83,916	74,847	0	0	0	0
2023-2027	103,553	55,210	0	0	0	0
2028-2032	127,787	30,977	0	0	0	0
2033-2035	73,276	4,677	0	0	0	0
Totals	<u>\$ 511,640</u>	<u>\$ 360,218</u>	<u>\$ 125,000</u>	<u>\$ 43,500</u>	<u>\$ 11,173</u>	<u>\$ 878</u>

Years	Total	
	Principal	Interest
2008	\$ 23,655	\$ 29,364
2009	24,271	28,170
2010	24,912	26,947
2011	21,474	25,788
2012	21,967	24,805
2013-2017	143,002	103,811
2018-2022	83,916	74,847
2023-2027	103,553	55,210
2028-2032	127,787	30,977
2033-2035	73,276	4,677
Totals	<u>\$ 647,813</u>	<u>\$ 404,596</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

Years	Mortgage Revenue Bonds		OWDA Loans		OPWC Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2008	\$ 193,000	\$ 67,020	\$ 625,219	\$ 165,520	\$ 9,223	\$ 827,442	\$ 232,540
2009	199,000	59,724	653,703	137,036	9,223	861,926	196,760
2010	211,000	52,202	683,587	107,153	9,223	903,810	159,355
2011	217,000	44,226	307,938	81,062	9,223	534,161	125,288
2012	223,000	36,024	319,979	69,020	9,223	552,202	105,044
2013-2017	730,000	55,944	1,295,125	173,842	46,115	2,071,240	229,786
2018-2022	0	0	139,283	2,814	36,890	176,173	2,814
Totals	<u>\$ 1,773,000</u>	<u>\$ 315,140</u>	<u>\$ 4,024,834</u>	<u>\$ 736,447</u>	<u>\$ 129,120</u>	<u>\$ 5,926,954</u>	<u>\$ 1,051,587</u>

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

During 2007, the City entered into capital leases for the acquisition of a road planner and a case loader.

In prior years the City entered into capitalized leases for the acquisition of five police cruisers, a fire truck, Case loader and street sweeper. All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the governmental activities in the amount of \$593,253, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007:

Year Ending December 31:		Governmental	Business-Type
		Activities	Capital Leases
2008	\$	105,372	\$ 20,040
2009		105,373	20,040
2010		105,372	20,041
2011		80,537	0
2012		80,538	0
2013		54,626	0
Minimum lease payments		531,818	60,121
Less: amount representing interest at the City's incremental borrowing rate of interest		(71,905)	(5,749)
Present value of minimum lease payments	\$	<u>459,913</u>	<u>\$ 54,372</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 16: INSURANCE AND RISK MANAGEMENT

Self Insurance

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

All funds of the City from which employee salaries are paid participate in the dental insurance program and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$67,689. The claims liability of \$12,848 reported in the Self-Insurance Fund at December 31, 2007 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal 2006 and 2007 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims Expense</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007	\$ 4,636	\$ 74,474	\$ 66,262	\$ 12,848
2006	\$ 5,284	\$ 89,737	\$ 90,385	\$ 4,636

Risk Pool Membership

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, the City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 2005, 2006 and 2007.

Casualty Insurance

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. Claims exceeding \$350,000 are reinsured with APEEP in amount not exceeding \$2,650,000 for each claim and \$10,000,000 in the aggregate per year.

In the event a series of retained claims exhaust the Pool's total funds available to pay loss within the Pool's retention, APEEP provides "excess of funds available" coverage up to \$5,000,000, subject to the annual aggregate limit of \$10,000,000.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2007

NOTE 16: INSURANCE AND RISK MANAGEMENT (Continued)

Property Insurance

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>
Assets	\$ 30,997,868
Liabilities	<u>(15,875,741)</u>
Retained Earnings	<u>\$ 15,122,127</u>

<u>Property Coverage</u>	<u>2006</u>
Assets	\$ 5,125,326
Liabilities	<u>(863,163)</u>
Retained Earnings	<u>\$ 4,262,163</u>

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

NOTE 17: JOINTLY GOVERNED ORGANIZATION

The City is associated with the Southeastern Ohio Narcotics Task Force (S.E.N.T.). S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 32 board members, the City appoints two. Each member's control over the operation of S.E.N.T. is limited to its representation on the board. In 2007 the City contributed \$9,156 to S.E.N.T., which represents 45 percent of total contributions.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2007

NOTE 18: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2007, there were two series of Revenue Bonds outstanding, with a principal amount payable of \$18,375,000.

NOTE 19: 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 is 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, 2007.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 20, 2008

Mayor and Members of Council
City of Cambridge
Cambridge, OH 43725

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the City of Cambridge (the "City") as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected in the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the reportable conditions described above, we consider item 2007-001 to be a material weakness. We also noted certain other matters that we have reported to management of the City in a separate letter dated June 20, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 20, 2008.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities, and City Council and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

Material Weaknesses

Finding Number	2007-001
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The City does not have an open line of communication between the Engineering Department and the Finance Department. This lack of communication has lead to the Auditor not being made aware of grant activity where the granting agency is paying the contractor directly. In 2007 and 2008 the City is participating in a cooperative project with ODOT for the reconstruction of .68 miles of Wills Creek Valley Drive, including storm sewers, curb and gutter, guardrail and retaining wall, lying within the City of Cambridge. As part of the agreement the City of Cambridge agrees to "assume and bear one hundred percent (100%) of the entire costs of the improvement, less the amount of Federal-aid and OPWC funds set aside by the Department of Transportation for the financing of this improvement from funds allocated by the Federal Highway Administration, US Department of Transportation." The total estimated cost is \$2,427,500 with the City providing 20% or \$485,500. The City is using \$121,452 in funds from OPWC as part of the local share. This leaves an amount of \$364,048 as due from the City. It should be noted that since this is an ODOT let project the City does not include these federal dollars on its Schedule of Expenditures of Federal Awards. This may not be the case in all projects and could have a significant effect on that schedule.

In accordance with Auditor of State Technical Bulletin 2000-008, because the City has an agreement with ODOT on the project, this should be considered an "on-behalf-of" grant and amounts paid by ODOT and OPWC should be recorded on the City's books as memorandum receipts and disbursements in the year the on-behalf-of disbursements are made. As of December 31, 2007 OPWC has paid \$99,568 and ODOT has contributed \$967,429 to the project. The City did not record any of the payment activity for the OPWC or ODOT funds expended in 2007, which amounted to \$1,066,997.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-001 (continued)
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We recommend the City establish a process for the reporting of grant activity to the Auditor so the amounts of direct payments from granting agencies can be recorded as required. Monthly meetings should be established between the offices to discuss all current and planned projects with emphasis on the financial aspects of these projects such as the various funding sources, how payments will be made, amounts to be included in estimated resources and appropriations for the year, completion dates and how to record the project as an asset if applicable. We also recommend a spreadsheet be maintained for each project which shows the total project estimated costs, contract amounts by contractor, grant revenue source and amounts paid by each source.

City's Response:

The City Auditor and Engineer will update their process to include maintaining a spreadsheet for each project to include those items mentioned above.



Mary Taylor, CPA
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 7, 2008**