



**Auditor of State
Betty Montgomery**

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	17
Statement Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Fire Fund	18
Statement of Fund Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Expenditures	59
Notes to the Schedule of Federal Awards Expenditures.....	60
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	63
Schedule of Findings - <i>OMB Circular A-133 Section .505</i>	65
Schedule of Prior Audit Findings - <i>OMB Circular A-133 Section .315 (b)</i>	68



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Fire Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City changed its capitalization criteria for capital assets from \$1,000 to \$5,000.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 30, 2005

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The discussion and analysis of the City of Cambridge's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. 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 2004 are as follows:

- General Revenues accounted for \$6,977,923 in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$7,259,589 or 51% of total revenues of \$14,237,512.
- Total program expenses were \$13,095,733, \$8,925,394 in governmental activities and \$4,170,339 in business-type activities.
- In total, net assets increased \$1,141,779. Net assets of governmental activities increased \$648,725. Net assets of business-type activities increased \$493,054.
- Outstanding debt decreased from \$9,550,830 to \$8,961,045 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 2004 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 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, 2004

A question typically asked about the City's finances "How did we do financially during fiscal year 2004?" 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 the 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, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

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 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 7,713,648	\$ 8,012,783	\$ 5,404,982	\$ 5,489,675	\$ 13,118,630	\$ 13,502,458
Capital Assets	10,230,025	9,957,028	16,667,986	16,141,744	26,898,011	26,098,772
Total Assets	17,943,673	17,969,811	22,072,968	21,631,419	40,016,641	39,601,230
Liabilities						
Long-Term Liabilities	1,451,404	1,742,329	8,442,239	8,521,092	9,893,643	10,263,421
Other Liabilities	2,129,299	2,513,237	410,237	382,889	2,539,536	2,896,126
Total Liabilities	3,580,703	4,255,566	8,852,476	8,903,981	12,433,179	13,159,547
Net Assets						
Invested in Capital Assets Net of Debt	10,159,741	9,452,468	8,421,365	7,988,230	18,581,106	17,440,698
Restricted	3,129,169	3,873,979	517,745	517,745	3,646,914	4,391,724
Unrestricted (Deficit)	1,074,060	387,798	4,281,382	4,221,463	5,355,442	4,609,261
Total Net Assets	\$ 14,362,970	\$ 13,714,245	\$ 13,220,492	\$ 12,727,438	\$ 27,583,462	\$ 26,441,683

Total assets increased by \$415,411 with governmental assets decreasing \$26,138 and business-type assets increasing \$441,549. An increase of approximately \$799,239 in total capital assets reflects additional purchases exceeding depreciation and was the majority of the increase in business-type assets. Total liabilities decreased by \$726,368. The majority of this decrease was attributable to decreased long-term liabilities.

Total net assets increased by \$1,141,779. This number reflects an increase in both governmental activities and business-type activities.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the second year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons can be made between the years 2003 and 2004.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	Total
	Activities	Activities	Activities	Activities		
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,566,419	\$ 1,666,321	\$ 4,606,947	\$ 4,625,913	\$ 6,173,366	\$ 6,292,234
Operating Grants	1,085,223	1,077,429	0	0	1,085,223	1,077,429
Capital Grants	1,000	551,391	0	0	1,000	551,391
<i>General Revenue:</i>						
Property Taxes	1,534,816	1,711,455	0	0	1,534,816	1,711,455
Income Taxes	4,171,514	4,263,679	0	0	4,171,514	4,263,679
Grants and Entitlements	816,606	1,175,653	0	0	816,606	1,175,653
Investment Earnings	176,318	243,702	3,811	2,084	180,129	245,786
Miscellaneous	258,572	501,873	16,286	25,616	274,858	527,489
Total Revenues	9,610,468	11,191,503	4,627,044	4,653,613	14,237,512	15,845,116
Program Expenses						
General Government	3,174,443	3,175,669	0	0	3,174,443	3,175,669
Security of Persons and Property	3,484,405	3,648,697	0	0	3,484,405	3,648,697
Transportation	910,896	2,088,413	0	0	910,896	2,088,413
Public Health	226,085	237,086	0	0	226,085	237,086
Community and Economic Development	318,187	1,316,954	0	0	318,187	1,316,954
Leisure Time Services	755,546	749,803	0	0	755,546	749,803
Interest and Fiscal Charges	55,832	53,360	0	0	55,832	53,360
<i>Enterprise Operations:</i>						
Water	0	0	2,260,797	2,199,373	2,260,797	2,199,373
Sewer	0	0	1,909,542	2,580,483	1,909,542	2,580,483
Total Program Expenses	8,925,394	11,269,982	4,170,339	4,779,856	13,095,733	16,049,838
Increase (Decrease) in Net Assets Before Transfers and Contributions	685,074	(78,479)	456,705	(126,243)	1,141,779	(204,722)
Transfers	(36,349)	0	36,349	0	0	0
Increase (Decrease) in Net Assets	\$ 648,725	\$ (78,479)	\$ 493,054	\$ (126,243)	\$ 1,141,779	\$ (204,722)

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

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 \$3,484,405 represents 39% of the total 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 \$910,896 during 2004.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$981,631 in 2004 equaling 11% 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 2004, charges for services of \$4,606,947 accounted for 99% of the revenues. The total expenses for the utilities were \$4,170,339, leaving an increase in net assets of \$456,705 (before transfers) for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$9,714,273 and expenditures of \$9,561,001. 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 19. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$4,623,233, which exceeded operating expenses of \$3,732,253 by \$890,980 or 19% 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, 2004

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 2004, 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 actual budget basis revenue was \$5,031,755, representing a \$176,444 decrease from the original budget estimate of \$5,208,199. Most of this difference was attributable to decreased licenses and decreased fine collections.

Final appropriations of \$4,978,278 were \$35,344 higher than the \$4,942,934 in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2004, the City had \$26,898,011 invested in land, infrastructure, buildings, improvements, equipment, furniture, water and sewer lines, vehicles and construction in progress. A total of \$10.2 million of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		2004	2003
	2004	2003	2004	2003		
Land	\$ 1,882,495	\$ 1,462,495	\$ 201,041	\$ 201,041	\$ 2,083,536	\$ 1,663,536
Infrastructure	4,332,388	3,835,815	0	0	4,332,388	3,835,815
Land Improvements	37,461	41,383	0	0	37,461	41,383
Buildings	1,983,319	1,960,207	5,091,637	5,364,399	7,074,956	7,324,606
Improvements Other Than Buildings	848,636	919,371	7,111,545	6,395,429	7,960,181	7,314,800
Equipment and Machinery	788,950	844,704	241,062	228,288	1,030,012	1,072,992
Furniture and Fixtures	28,877	32,352	9,378	15,620	38,255	47,972
Vehicles	151,319	200,506	53,169	83,125	204,488	283,631
Water Lines	0	0	1,451,035	1,486,567	1,451,035	1,486,567
Sewer Lines	0	0	2,509,119	2,157,048	2,509,119	2,157,048
Construction in Progress	176,580	660,195	0	210,227	176,580	870,422
Totals	\$ 10,230,025	\$ 9,957,028	\$ 16,667,986	\$ 16,141,744	\$ 26,898,011	\$ 26,098,772

The \$799,239 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 10 provides capital asset activity during the 2004 year. The City capitalized general infrastructure for governmental activities.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Debt

The outstanding debt for the City of Cambridge as of December 31, 2004 was \$8,961,045. This balance reflected a reduction of \$589,785 from the previous year's balance of \$9,550,830, a reduction of 6.2 percent. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 2,347,923	\$ 2,498,035	\$ 2,347,923	\$ 2,498,035
Special Assessment Bonds	153,958	163,802	0	0	153,958	163,802
OWDA Loans	0	0	5,741,910	5,655,479	5,741,910	5,655,479
OPWC Loans	13,256	21,759	156,788	166,012	170,044	187,771
General Obligation Bonds	0	180,000	0	0	0	180,000
Police and Fire Pension	539,550	548,099	0	0	539,550	548,099
John Deere Mower Loan	7,660	17,644	0	0	7,660	17,644
Notes Payable	0	300,000	0	0	0	300,000
<i>Total</i>	<u>\$ 714,424</u>	<u>\$ 1,231,304</u>	<u>\$ 8,246,621</u>	<u>\$ 8,319,526</u>	<u>\$ 8,961,045</u>	<u>\$ 9,550,830</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.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Economic Factors

The 1999 EPA lawsuit was finally settled in 2004 regarding sewer violations. The City is in full compliance for the first time in years with the EPA accreditation.

Cambridge City Council, along with the Cambridge City School Board came to an agreement to annex the new school property into the City of Cambridge.

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, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,079,921	\$ 3,878,451	\$ 5,958,372
Cash and Cash Equivalents in Segregated Accounts	770,185	92,467	862,652
Investments	40,117	0	40,117
Materials and Supplies Inventory	17,150	13,315	30,465
Accrued Interest Receivable	1,480	0	1,480
Accounts Receivable	143,046	824,544	967,590
Internal Balances	(889)	889	0
Intergovernmental Receivable	1,485,793	0	1,485,793
Prepaid Items	7,884	16,175	24,059
Taxes Receivable	2,835,604	0	2,835,604
Loans Receivable	215,273	0	215,273
Deferred Charge	4,419	40,988	45,407
Special Assessments Receivable	113,665	0	113,665
Restricted Assets:			
Cash and Cash Equivalents	0	538,153	538,153
Non-Depreciable Capital Assets	2,059,075	201,041	2,260,116
Depreciable Capital Assets, net	8,170,950	16,466,945	24,637,895
<i>Total Assets</i>	<u>17,943,673</u>	<u>22,072,968</u>	<u>40,016,641</u>
Liabilities			
Accounts Payable	159,744	102,692	262,436
Accrued Wages	228,447	63,711	292,158
Intergovernmental Payable	227,112	118,510	345,622
Accrued Interest Payable	6,467	10,851	17,318
Due to Others	0	114,473	114,473
Claims Payable	4,488	0	4,488
Deferred Revenue	1,503,041	0	1,503,041
Long-Term Liabilities:			
Due Within One Year	99,476	730,768	830,244
Due in More Than One Year	1,351,928	7,711,471	9,063,399
<i>Total Liabilities</i>	<u>3,580,703</u>	<u>8,852,476</u>	<u>12,433,179</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,159,741	8,421,365	18,581,106
Restricted for Debt Service	173,608	398,825	572,433
Restricted for Capital Outlay	831,311	0	831,311
Restricted for Other Purposes	2,124,250	118,920	2,243,170
Unrestricted	1,074,060	4,281,382	5,355,442
<i>Total Net Assets</i>	<u>\$ 14,362,970</u>	<u>\$ 13,220,492</u>	<u>\$ 27,583,462</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Activities
For the Year Ended December 31, 2004

	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	\$ 3,174,443	\$ 1,080,574	0	\$ 1,000	\$ (2,092,869)	\$ 0	\$ (2,092,869)
Security of Persons and Property	3,484,405	190,223	486,436	0	(2,807,746)	0	(2,807,746)
Public Health	226,085	151,000	0	0	(75,085)	0	(75,085)
Leisure Time Services	755,546	133,107	30,000	0	(592,439)	0	(592,439)
Community and Economic Development	318,187	11,515	150,088	0	(156,584)	0	(156,584)
Transportation	910,896	0	418,699	0	(492,197)	0	(492,197)
Interest and Fiscal Charges	55,832	0	0	0	(55,832)	0	(55,832)
<i>Total Governmental Activities</i>	<u>8,925,394</u>	<u>1,566,419</u>	<u>1,085,223</u>	<u>1,000</u>	<u>(6,272,752)</u>	<u>0</u>	<u>(6,272,752)</u>
Business-Type Activities:							
Sewer Fund	1,909,542	2,266,910	0	0	0	357,368	357,368
Water Fund	2,260,797	2,340,037	0	0	0	79,240	79,240
<i>Total Business-Type Activities</i>	<u>4,170,339</u>	<u>4,606,947</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>436,608</u>	<u>436,608</u>
<i>Total - Primary Government</i>	<u>\$ 13,095,733</u>	<u>\$ 6,173,366</u>	<u>\$ 1,085,223</u>	<u>\$ 1,000</u>	<u>(6,272,752)</u>	<u>436,608</u>	<u>(5,836,144)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					338,243	0	338,243
Other Purposes					1,196,573	0	1,196,573
Income Taxes Levied for:							
General Purposes					2,917,325	0	2,917,325
Other Purposes					1,254,189	0	1,254,189
Grants and Entitlements not Restricted to Specific Programs					816,606	0	816,606
Investment Earnings					176,318	3,811	180,129
Transfers					(36,349)	36,349	0
Miscellaneous					258,572	16,286	274,858
<i>Total General Revenues</i>					<u>6,921,477</u>	<u>56,446</u>	<u>6,977,923</u>
<i>Change in Net Assets</i>					<u>648,725</u>	<u>493,054</u>	<u>1,141,779</u>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>13,714,245</u>	<u>12,727,438</u>	<u>26,441,683</u>
<i>Net Assets End of Year</i>					<u>\$ 14,362,970</u>	<u>\$ 13,220,492</u>	<u>\$ 27,583,462</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 202,339	\$ 186,274	\$ 1,691,308	\$ 2,079,921
Cash and Cash Equivalents in Segregated Accounts	0	0	759,933	759,933
Investments	0	0	40,117	40,117
Materials and Supplies Inventory	0	0	17,150	17,150
Accrued Interest Receivable	1,480	0	0	1,480
Accounts Receivable	110,148	0	32,898	143,046
Interfund Receivable	0	0	186,717	186,717
Intergovernmental Receivable	394,438	66,821	1,024,534	1,485,793
Prepaid Items	4,587	842	2,455	7,884
Taxes Receivable	1,149,719	1,248,469	437,416	2,835,604
Loans Receivable	0	0	215,273	215,273
Special Assessments Receivable	0	0	113,665	113,665
<i>Total Assets</i>	<u>\$ 1,862,711</u>	<u>\$ 1,502,406</u>	<u>\$ 4,521,466</u>	<u>\$ 7,886,583</u>
Liabilities				
Accounts Payable	\$30,681	\$69,170	\$59,893	\$159,744
Accrued Wages	141,543	55,994	30,910	228,447
Intergovernmental Payable	40,129	16,115	17,493	73,737
Interfund Payable	186,717	0	0	186,717
Deferred Revenue	657,276	1,312,901	1,227,119	3,197,296
<i>Total Liabilities</i>	<u>1,056,346</u>	<u>1,454,180</u>	<u>1,335,415</u>	<u>3,845,941</u>
Fund Balances				
Reserved for Encumbrances	14,108	0	28,263	42,371
Reserved for Inventory	0	0	17,150	17,150
Reserved for Debt Service	0	0	60,677	60,677
Reserved for Loans Receivable	0	0	215,273	215,273
Unreserved, Undesignated, Reported in:				
General Fund	792,257	0	0	792,257
Special Revenue Funds	0	48,226	2,351,999	2,400,225
Debt Service Funds	0	0	443	443
Capital Projects Funds	0	0	512,246	512,246
<i>Total Fund Balances</i>	<u>806,365</u>	<u>48,226</u>	<u>3,186,051</u>	<u>4,040,642</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,862,711</u>	<u>\$ 1,502,406</u>	<u>\$ 4,521,466</u>	<u>\$ 7,886,583</u>

See accompanying notes to the basic financial statements.

City of Cambridge
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances		\$ 4,040,642
 <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		10,230,025
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	161,365	
Income Tax	200,954	
Intergovernmental	1,218,271	
Charges for Services	113,665	
Total		1,694,255
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.		4,875
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(153,375)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,467)
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.		4,419
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special Assessment Bonds	(153,958)	
Loan Payable	(7,660)	
OPWC Loans	(13,256)	
Capital Leases	(49,368)	
Police and Fire Pension	(539,550)	
Compensated Absences	(687,612)	
Total		(1,451,404)
<i>Net Assets of Governmental Activities</i>		\$ 14,362,970

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 349,781	\$ 1,140,258	\$ 87,798	\$ 1,577,837
Income Taxes	2,935,922	0	1,254,903	4,190,825
Special Assessments	0	0	14,517	14,517
Charges for Services	101,200	172,172	295,622	568,994
Licenses and Permits	90,573	0	0	90,573
Fines and Forfeitures	569,646	0	317,588	887,234
Intergovernmental	784,476	110,135	1,068,069	1,962,680
Interest	157,302	0	19,016	176,318
Rent	19,618	0	0	19,618
Contributions and Donations	0	0	34,000	34,000
Other	61,698	3,232	126,747	191,677
<i>Total Revenues</i>	<u>5,070,216</u>	<u>1,425,797</u>	<u>3,218,260</u>	<u>9,714,273</u>
Expenditures				
General Government	2,525,644	0	193,925	2,719,569
Security of Persons and Property	1,479,007	1,204,747	707,921	3,391,675
Public Health	0	0	211,356	211,356
Lesiure Time Services	411,235	0	210,953	622,188
Community and Economic Development	131,876	0	185,952	317,828
Transportation	0	0	977,819	977,819
Capital Outlay	0	0	955,066	955,066
Debt Service:				
Principal Retirements	14,144	49,972	246,957	311,073
Interest and Fiscal Charges	6,506	2,873	45,048	54,427
<i>Total Expenditures</i>	<u>4,568,412</u>	<u>1,257,592</u>	<u>3,734,997</u>	<u>9,561,001</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>501,804</u>	<u>168,205</u>	<u>(516,737)</u>	<u>153,272</u>
Other Financing Sources and Uses				
Transfers In	0	0	543,316	543,316
Proceeds from Sale of Capital Assets	0	0	169,955	169,955
Transfers Out	(344,001)	(199,253)	(36,411)	(579,665)
<i>Total Other Financing Sources and Uses</i>	<u>(344,001)</u>	<u>(199,253)</u>	<u>676,860</u>	<u>133,606</u>
<i>Net Change in Fund Balance</i>	157,803	(31,048)	160,123	286,878
<i>Fund Balance at Beginning of Year</i>	648,562	79,274	3,033,883	3,761,719
Decrease in Reserve for Inventory	0	0	(7,955)	(7,955)
<i>Fund Balance at End of Year</i>	<u>\$ 806,365</u>	<u>\$ 48,226</u>	<u>\$ 3,186,051</u>	<u>\$ 4,040,642</u>

See accompanying notes to the basic financial statements.

City of Cambridge
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 286,878

*Amounts reported for governmental activities in the statement
of activities are different because*

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

Capital Asset Additions	913,024	
Current Year Depreciation	<u>(565,027)</u>	
Total		347,997

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. (75,000)

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

Delinquent Property Taxes	(43,021)	
Income Tax	(19,311)	
Intergovernmental	(60,851)	
Other/Miscellaneous	<u>(75,577)</u>	
Total		(198,760)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 311,073

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest	(5,668)	
Bond Issuance Costs	4,419	
Bond Discount	<u>(156)</u>	
		(1,405)

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.

Compensated Absences	(19,992)	
Pension Obligations	1,014	
Change in Inventory	<u>(7,955)</u>	
Total		(26,933)

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. 4,875

Change in Net Assets of Governmental Activities \$ 648,725

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 312,810	\$ 312,810	\$ 349,781	\$ 36,971
Income Taxes	2,895,000	2,895,000	2,906,533	11,533
Charges for Services	101,200	101,200	101,200	0
Licenses and Permits	133,000	133,000	89,797	(43,203)
Fines and Forfeitures	618,500	738,500	546,678	(191,822)
Intergovernmental	877,689	918,539	822,014	(96,525)
Interest	185,000	185,000	161,258	(23,742)
Rent	13,000	13,000	19,618	6,618
Other	72,000	52,000	34,876	(17,124)
<i>Total Revenues</i>	<u>5,208,199</u>	<u>5,349,049</u>	<u>5,031,755</u>	<u>(317,294)</u>
Expenditures				
General Government	2,760,697	2,784,518	2,596,016	188,502
Security of Persons and Property	1,609,072	1,606,522	1,506,171	100,351
Lesiure Time Services	432,219	441,001	408,894	32,107
Community and Economic Development	140,946	141,434	131,440	9,994
Debt Service:				
Interest and Fiscal Charges	0	4,803	4,803	0
<i>Total Expenditures</i>	<u>4,942,934</u>	<u>4,978,278</u>	<u>4,647,324</u>	<u>330,954</u>
<i>Excess of Revenues Over Expenditures</i>	<u>265,265</u>	<u>370,771</u>	<u>384,431</u>	<u>13,660</u>
Other Financing Uses				
Transfers Out	(402,656)	(385,197)	(344,001)	41,196
<i>Total Other Financing Uses</i>	<u>(402,656)</u>	<u>(385,197)</u>	<u>(344,001)</u>	<u>41,196</u>
<i>Net Change in Fund Balance</i>	(137,391)	(14,426)	40,430	54,856
<i>Fund Balance at Beginning of Year</i>	<u>102,151</u>	<u>102,151</u>	<u>102,151</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>28,916</u>	<u>28,916</u>	<u>28,916</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ (6,324)</u>	<u>\$ 116,641</u>	<u>\$ 171,497</u>	<u>\$ 54,856</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 1,034,786	\$ 1,034,786	\$ 1,140,258	\$ 105,472
Charges for Services	139,270	139,270	172,172	32,902
Intergovernmental	123,570	126,570	107,746	(18,824)
Other	25,500	34,804	3,232	(31,572)
<i>Total Revenues</i>	<u>1,323,126</u>	<u>1,335,430</u>	<u>1,423,408</u>	<u>87,978</u>
Expenditures				
Security of Persons and Property	1,276,050	1,267,134	1,210,828	56,306
<i>Total Expenditures</i>	<u>1,276,050</u>	<u>1,267,134</u>	<u>1,210,828</u>	<u>56,306</u>
<i>Excess of Revenues Over Expenditures</i>	<u>47,076</u>	<u>68,296</u>	<u>212,580</u>	<u>144,284</u>
Other Financing Uses				
Transfers Out	(219,094)	(227,647)	(199,253)	28,394
<i>Total Other Financing Uses</i>	<u>(219,094)</u>	<u>(227,647)</u>	<u>(199,253)</u>	<u>28,394</u>
<i>Net Change in Fund Balance</i>	(172,018)	(159,351)	13,327	172,678
<i>Fund Balance at Beginning of Year</i>	158,238	158,238	158,238	0
Prior Year Encumbrances Appropriated	1,112	1,112	1,112	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (12,668)</u>	<u>\$ (1)</u>	<u>\$ 172,677</u>	<u>\$ 172,678</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer Fund	Water Fund	Totals	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,208,665	\$ 1,669,786	\$ 3,878,451	\$ 0
Cash and Cash Equivalents in Segregated Accounts	92,467	0	92,467	10,252
Materials and Supplies Inventory	0	13,315	13,315	0
Accounts Receivable	440,020	384,524	824,544	0
Prepaid Items	7,057	9,118	16,175	0
<i>Total Current Assets</i>	<u>2,748,209</u>	<u>2,076,743</u>	<u>4,824,952</u>	<u>10,252</u>
<i>Non-Current Assets</i>				
Restricted Equity in Pooled Cash and Cash Equivalents	0	538,153	538,153	0
Deferred Charge	0	40,988	40,988	0
Non-Depreciable Capital Assets	58,512	142,529	201,041	0
Depreciable Capital Assets, net	8,668,738	7,798,207	16,466,945	0
<i>Total Non-Current Assets</i>	<u>8,727,250</u>	<u>8,519,877</u>	<u>17,247,127</u>	<u>0</u>
<i>Total Assets</i>	<u>11,475,459</u>	<u>10,596,620</u>	<u>22,072,079</u>	<u>10,252</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	47,833	54,859	102,692	0
Accrued Wages	30,159	33,552	63,711	0
Intergovernmental Payable	56,927	61,583	118,510	0
Accrued Interest Payable	0	10,851	10,851	0
Due to Others	0	114,473	114,473	0
Claims Payable	0	0	0	4,488
Compensated Absences Payable	5,144	2,289	7,433	0
Revenue Bonds Payable	0	165,000	165,000	0
OPWC Loans Payable	0	9,223	9,223	0
OWDA Loans Payable	381,818	167,294	549,112	0
<i>Total Current Liabilities</i>	<u>521,881</u>	<u>619,124</u>	<u>1,141,005</u>	<u>4,488</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable- net of current portion	41,972	146,213	188,185	0
Revenue Bonds Payable- net of current portion	0	2,182,923	2,182,923	0
OPWC Loans Payable- net of current portion	0	147,565	147,565	0
OWDA Loans Payable- net of current portion	2,425,052	2,767,746	5,192,798	0
<i>Total Long-Term Liabilities</i>	<u>2,467,024</u>	<u>5,244,447</u>	<u>7,711,471</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,988,905</u>	<u>5,863,571</u>	<u>8,852,476</u>	<u>4,488</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,920,380	2,500,985	8,421,365	0
Restricted for Debt Service	0	398,825	398,825	0
Restricted for Other Purposes	0	118,920	118,920	0
Unrestricted	2,566,174	1,714,319	4,280,493	5,764
<i>Total Net Assets</i>	<u>\$ 8,486,554</u>	<u>\$ 4,733,049</u>	13,219,603	<u>\$ 5,764</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

889
\$ 13,220,492

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer Fund	Water Fund	Totals	
Operating Revenue				
Charges for Services	\$ 2,266,910	\$ 2,046,687	\$ 4,313,597	\$ 68,488
Charges for Services - Mortgage Revenue Bonds	0	293,350	293,350	0
Other	16,286	0	16,286	0
<i>Total Operating Revenues</i>	<u>2,283,196</u>	<u>2,340,037</u>	<u>4,623,233</u>	<u>68,488</u>
Operating Expenses				
Personal Services	693,620	736,687	1,430,307	0
Contractual Services	554,949	482,176	1,037,125	4,491
Materials and Supplies	308,013	349,548	657,561	0
Claims	0	0	0	58,349
Depreciation	204,783	353,347	558,130	0
Other	958	48,172	49,130	0
<i>Total Operating Expenses</i>	<u>1,762,323</u>	<u>1,969,930</u>	<u>3,732,253</u>	<u>62,840</u>
<i>Operating Income</i>	<u>520,873</u>	<u>370,107</u>	<u>890,980</u>	<u>5,648</u>
Non-Operating Revenues (Expenses)				
Interest	1,158	2,653	3,811	116
Interest and Fiscal Charges	(147,219)	(291,756)	(438,975)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(146,061)</u>	<u>(289,103)</u>	<u>(435,164)</u>	<u>116</u>
<i>Income Before Transfers</i>	374,812	81,004	455,816	5,764
Transfers In	0	36,349	36,349	0
<i>Change in Net Assets</i>	374,812	117,353	492,165	5,764
<i>Net Assets at Beginning of Year</i>	<u>8,111,742</u>	<u>4,615,696</u>	<u>12,727,438</u>	<u>0</u>
<i>Net Assets at End of Year</i>	<u>\$ 8,486,554</u>	<u>\$ 4,733,049</u>	<u>\$ 13,219,603</u>	<u>\$ 5,764</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from Operating Activities				
Cash Received from Customers	\$ 2,171,159	\$ 2,295,826	\$ 4,466,985	\$ 153,836
Other Operating Receipts	16,286	0	16,286	0
Cash Payments to Suppliers for Goods and Services	(293,166)	(334,737)	(627,903)	0
Cash Payments to Employees	(738,522)	(706,623)	(1,445,145)	0
Cash Payments for Contractual Services	(575,448)	(475,416)	(1,050,864)	(4,491)
Other Operating Expenses	0	(47,730)	(47,730)	0
Claims Paid	0	0	0	(139,209)
<i>Net Cash Provided by Operating Activities</i>	<u>580,309</u>	<u>731,320</u>	<u>1,311,629</u>	<u>10,136</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	0	36,349	36,349	0
Cash Flows from Capital and Related Financing Activities				
Proceeds from Loans	609,767	4,888	614,655	0
Acquisition of Capital Assets	(1,084,372)	0	(1,084,372)	0
Principal Payments on Debt	(362,601)	(324,959)	(687,560)	0
Interest Payments	(143,943)	(266,699)	(410,642)	0
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(981,149)</u>	<u>(586,770)</u>	<u>(1,567,919)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	1,158	2,653	3,811	116
<i>Net Increase in Cash and Cash Equivalents</i>	<u>(399,682)</u>	<u>183,552</u>	<u>(216,130)</u>	<u>10,252</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>2,700,814</u>	<u>2,024,387</u>	<u>4,725,201</u>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 2,301,132</u>	<u>\$ 2,207,939</u>	<u>\$ 4,509,071</u>	<u>\$ 10,252</u>

(continued)

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 520,873	\$ 370,107	\$ 890,980	\$ 5,648
Adjustments:				
Depreciation	204,783	353,347	558,130	0
(Increase) Decrease in Assets:				
Accounts Receivable	(94,793)	(43,769)	(138,562)	0
Interfund Receivable	0	0	0	85,348
Prepaid Items	1,359	526	1,885	0
Materials and Supplies Inventory	0	(1,038)	(1,038)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	593	22,083	22,676	0
Contracts Payable	(7,562)	0	(7,562)	0
Accrued Wages	2,519	3,233	5,752	0
Interfund Payable	(11,381)	(10,168)	(21,549)	0
Compensated Absences Payable	(39,527)	33,579	(5,948)	0
Claims Payable	0	0	0	(80,860)
Intergovernmental Payable	3,445	3,420	6,865	0
<i>Net Cash Provided by Operating Activities</i>	\$ 580,309	\$ 731,320	\$ 1,311,629	\$ 10,136

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	Private Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 61,010	\$ 247,179
Accounts Receivable	0	6,846
<i>Total Assets</i>	61,010	254,025
Liabilities		
Due to Others		254,025
<i>Total Liabilities</i>		\$ 254,025
Net Assets		
Held in Trust for Private Purposes	61,010	
<i>Total Net Assets</i>	\$ 61,010	

See accompanying notes to the basic financial statements.

City of Cambridge
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004

	Private Purpose Trust
Additions	
Interest	\$ 422
<i>Total Additions</i>	422
Deductions	
Personal Services	109
<i>Total Deductions</i>	109
<i>Change in Net Assets</i>	313
<i>Net Assets Beginning of Year</i>	60,697
<i>Net Assets End of Year</i>	\$ 61,010

See accompanying notes to the basic financial statements.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

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
DECEMBER 31, 2004

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 27% of the funds received by the Authority in 2004; however, the City is not financially accountable for the Authority.

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
DECEMBER 31, 2004

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 asset, financial position, and cash flows. The following is the City's proprietary fund type:

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account 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 (e.g. revenues) and decreases (e.g. expenses) in total net assets.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

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
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange 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, 2004, but which were levied to finance fiscal year 2005 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
DECEMBER 31, 2004

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 2004, investments were limited to a certificate of deposit and Money Market.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2004 amounted to \$157,302, which includes \$151,162 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 6, Deposits and Investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	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
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

On fund financial statements, long-term interfund loans reported as "due to/from other funds," are equally offset by a fund balance reserve account which indicates that they do not constitute "available expendable financial resources" even though it is a component of net current assets. Repayment is expected to be made within a reasonable time.

J. 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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. 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.

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

M. 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, inventory of materials and supplies, debt service and loans receivable.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or for grants or outside contributions of resources restricted to capital acquisition and construction.

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 2004.

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/NET ASSETS

Prior Period Adjustments In 2004 the City increased its capitalization threshold from \$1,000 to \$5,000. The City also added infrastructure assets to their governmental capital assets. As a result, the capital assets in the governmental activities increased \$4,208,966, decreased \$34,863 in the Sewer Fund and decreased in the Water Fund by \$18,712.

To correct these, the beginning net asset balances have been restated as follows:

	Governmental Activities	Business-Type Activities
Previously Stated Net Assets 12/31/2003	\$ 9,505,279	\$ 12,781,013
Change in Capitalization Threshold	(287,044)	(53,575)
Infrastructure Addition	4,496,010	0
Restated Net Assets 1/1/2004	<u>\$ 13,714,245</u>	<u>\$ 12,727,438</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the 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	\$ 157,803	\$ (31,048)	
Revenue accruals	(38,461)	(2,389)	
Expenditure accruals	(60,859)	59,248	
Encumbrances	(18,053)	(12,484)	
Budget Basis	\$ 40,430	\$ 13,327	

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 5: FUND DEFICITS

Fund balances at December 31, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Non-Major Funds:	
VOCA Grant	\$ 382

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

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are 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.

The following information classifies as deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Deposits. At year-end, the carrying amount of the City's deposits was \$7,707,483, and the bank balance was \$7,836,713. Of the bank balance:

1. \$240,117 was covered by federal depository insurance.
2. 401,503 was collateralized with securities by the pledging financial institutions' trust department in the City's name.
3. \$7,195,093 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments. GASB Statement No. 3, "Deposits with Financial Institutions (including Repurchase Agreements), and Revenue Repurchase Agreements," requires the City to categorize investments to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statements No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 7,667,366	\$ 40,117
Certificates of Deposits with maturity of greater than three months	40,117	(40,117)
GASB Statement No. 3	\$ 7,707,483	\$ 0

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 7: 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, 2003 on the assessed value as of January 1, 2003, the lien date, and were collected in 2004. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2004 attached as a lien on December 31, 2003, were levied after October 1, 2003 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2004 tangible personal property taxes are levied after October 1, 2003, on the value listed as of December 31, 2003 and are collected in 2004. Tangible personal property assessments are 25% of true value.

The full tax rate for all City operations for the year ended December 31, 2004 was \$12.10 per \$1,000 of assessed value. The assessed value upon which the 2004 tax receipts were based was \$156,033,570. This amount constitutes \$120,932,300 in real property assessed value, \$6,833,960 in public utility assessed value and \$28,267,310 tangible personal property assessed value. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.40% (14.00 mills) of assessed value.

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, 2004. 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 2004 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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 7: PROPERTY TAXES (Continued)

B. Income Tax

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

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

NOTE 8: RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, accounts receivable, loans, interest and intergovernmental receivables arising from shared revenues.

NOTE 9: INTERFUND TRANSACTIONS

A. Interfund Transfers

Following is a summary of operating transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 344,001
Fire Fund	0	199,253
Non-Major Governmental Funds:		
Street	0	36,411
Tree Fund	5,000	0
Municipal Airport Fund	109,700	0
Fire Pension Fund	190,699	0
Police Pension Fund	162,962	0
FEMA	1,339	0
Cemetery Fund	65,000	0
Northwood Cemetery Maintenance Fund	8,616	0
Total Non-Major Governmental Funds	<u>543,316</u>	<u>579,665</u>
Business-Type Funds:		
Water	<u>36,349</u>	<u>0</u>
Total All Funds	<u>\$ 579,665</u>	<u>\$ 579,665</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 9: INTERFUND TRANSACTIONS (Continued)

The transfer to the Fire Pension Fund from the Fire Fund in the amount of \$190,699 along with the \$162,962 transfer to the Police Pension Fund from the General Fund were for purposes of pension payments to the Ohio Police and Fire Pension Fund.

The remaining transfers from the General Fund to the various other non-major funds were to cover operating costs.

B. Interfund Balances

During 2003 the City overpaid health insurance premiums from the Restricted Capital Improvement Fund. As of December 31, 2004, the City's General Fund still owed the Restricted Capital Improvement Fund \$186,717.

This space is left intentionally blank.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 10: CAPITAL ASSETS

A summary of changes in capital assets during 2004 follows:

	Restated Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,462,495	\$ 495,000	\$ (75,000)	\$ 1,882,495
Construction in Progress	660,195	176,580	(660,195)	176,580
<i>Total Capital Assets Not Being Depreciated</i>	2,122,690	671,580	(735,195)	2,059,075
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	72,571	0	0	72,571
Buildings	2,642,683	81,710	0	2,724,393
Improvements Other Than Buildings	1,576,233	0	0	1,576,233
Machinery and equipment	2,234,019	38,726	(15,990)	2,256,755
Furniture and fixtures	44,466	0	0	44,466
Vehicles	571,738	26,465	(50,607)	547,596
Infrastructure	6,454,127	754,738	(117,446)	7,091,419
<i>Total Capital Assets, Being Depreciated</i>	13,595,837	901,639	(184,043)	14,313,433
<i>Less Accumulated Depreciation:</i>				
Land Improvements	31,188	3,922	0	35,110
Buildings	682,476	58,598	0	741,074
Improvements Other Than Buildings	656,862	70,735	0	727,597
Machinery and equipment	1,389,315	94,480	(15,990)	1,467,805
Furniture and fixtures	12,114	3,475	0	15,589
Vehicles	371,232	73,955	(48,910)	396,277
Infrastructure	2,618,312	258,165	(117,446)	2,759,031
<i>Total Accumulated Depreciation</i>	5,761,499	563,330 *	(182,346)	6,142,483
<i>Total Capital Assets Being Depreciated, Net</i>	7,834,338	338,309	(1,697)	8,170,950
<i>Total Governmental Capital Assets, Net</i>	\$ 9,957,028	\$ 1,009,889	\$ (736,892)	\$ 10,230,025

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 10: CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	\$	26,298
Leisure Time Services		133,144
Security of Persons and Property		80,265
Transportation		308,499
Public Health		15,124
		563,330
 Total	 \$	 563,330

	Restated Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in progress	210,227	610,831	(821,058)	0
<i>Total Capital Assets Not Being Depreciated</i>	411,268	610,831	(821,058)	201,041
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	9,240,220	0	0	9,240,220
Improvements other than buildings	8,522,138	847,684	0	9,369,822
Machinery and equipment	602,203	41,752	0	643,955
Furniture and fixtures	39,839	0	0	39,839
Vehicles	372,085	0	0	372,085
Water Lines	2,684,202	0	0	2,684,202
Sewer Lines	4,243,518	405,163	0	4,648,681
<i>Total Capital Assets, Being Depreciated</i>	25,704,205	1,294,599	0	26,998,804
 <i>Less Accumulated Depreciation:</i>				
Buildings	3,875,821	272,762	0	4,148,583
Improvements other than buildings	2,126,709	131,568	0	2,258,277
Machinery and equipment	373,915	28,978	0	402,893
Furniture and fixtures	24,219	6,242	0	30,461
Vehicles	288,960	29,956	0	318,916
Water Lines	1,197,635	35,532	0	1,233,167
Sewer Lines	2,086,470	53,092	0	2,139,562
<i>Total Accumulated Depreciation</i>	9,973,729	558,130	0	10,531,859
<i>Total Capital Assets Being Depreciated, Net</i>	15,730,476	736,469	0	16,466,945
 <i>Total Business-Type Capital Assets, Net</i>	\$ 16,141,744	\$ 1,347,300	\$ (821,058)	\$ 16,667,986

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

City employees, other than non-administrative, full-time uniformed police officers and firemen participate 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% 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 a 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 that may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. The City's contribution rate for pension benefits for 2004 was 9.55%. For those classifications, the City's pension contributions were 12.7% 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, 2004, 2003 and 2002 were \$469,286, \$451,380 and \$484,754, respectively. The full amount has been contributed for 2003 and 2002. 92.68% has been contributed for 2004 with the remainder being reported as a fund liability.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 11: 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% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$193,804, \$203,672 and \$201,380 for police and \$222,683, \$217,286 and \$210,600 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 12: 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 with either the traditional or combined plans. 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 2004 local government employer contribution rate was 13.55% of covered payroll; 4.00% of covered payroll was the portion that was used to fund health care.

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, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1.00% and 6.00% annually for the next 8 years and 4.00% annually after 8 years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$80,895. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Firemen's Pension Fund

The Ohio Police and Firemen's Disability and 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% of covered payroll and the total firefighters employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. 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
DECEMBER 31, 2004

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The portion of the 2004 covered payroll that was used to fund postretirement health care benefits was \$77,025 representing 7.75% of covered payroll for police and \$70,165 representing 7.75% of covered payroll for firefighters. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 was 13,662 for police and 10,474 for firefighters.

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% 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, 2004 the liability for unpaid compensated absences was \$883,230.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 14: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2004 consisted of the following:

<u>Maturity Year</u>		<u>Interest Rate</u>	<u>Principal Balance 1/1/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2004</u>	<u>Due in One Year</u>
Business-Type Activities							
Long-Term Debt:							
Mortgage Revenue Bond:							
2015	Waterworks Improvement	4.60-5.50%	\$ 2,498,035	\$ 4,888	\$ (155,000)	\$ 2,347,923	\$ 165,000
	Total Mortgage Revenue Bonds		<u>2,498,035</u>	<u>4,888</u>	<u>(155,000)</u>	<u>2,347,923</u>	<u>165,000</u>
OWDA Loans:							
2011	Water Pollution Improvement	5.00%	2,348,413	0	(287,874)	2,060,539	302,448
2019	Water Pollution Improvement	4.04%	3,095,775	0	(160,735)	2,935,040	167,294
2014	Digester and Sewer Lining Project	3.50%	211,291	609,767	(74,727)	746,331	79,370
	Total OWDA Loans Payable		<u>5,655,479</u>	<u>609,767</u>	<u>(523,336)</u>	<u>5,741,910</u>	<u>549,112</u>
OPWC Loan:							
2022	Water Treatment Plant Filter Rehabilitation	0.00%	166,012	0	(9,224)	156,788	9,223
	Total OPWC Loan		<u>166,012</u>	<u>0</u>	<u>(9,224)</u>	<u>156,788</u>	<u>9,223</u>
Total Business-Type Activities							
Long-Term Debt			<u>8,319,526</u>	<u>614,655</u>	<u>(687,560)</u>	<u>8,246,621</u>	<u>723,335</u>
Other Business-Type							
Long-Term Obligations:							
	Compensated Absences		201,566	0	(5,948)	195,618	7,433
Total Business-Type Activities							
Long-Term Debt and Other							
Long-Term Obligations			<u>\$ 8,521,092</u>	<u>\$ 614,655</u>	<u>\$ (693,508)</u>	<u>\$ 8,442,239</u>	<u>\$ 730,768</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Maturity Year		Interest Rate	Principal Balance 1/1/2004	Additions	Reductions	Principal Balance 12/31/2004	Due in One Year
Governmental Activities Long-Term Debt:							
General Obligation Bonds:							
2004	Recreational Facility Bonds	5.30%	\$ 180,000	\$ 0	\$ (180,000)	\$ 0	\$ 0
Special Assessment Bonds:							
2017	Waterline Improvement	4.80%	42,475	41	(2,593)	39,923	2,593
2017	Sewerline Improvement	4.80%	121,327	115	(7,407)	114,035	7,407
	Total Special Assessment Bonds		163,802	156	(10,000)	153,958	10,000
2005	John Deere Mower Loan	2.55%	17,644	0	(9,984)	7,660	7,660
Ohio Public Works Commission Loans:							
2004	Street Paving '93B	0.00%	1,540	0	(1,540)	0	0
2005	Street Project '94	0.00%	2,143	0	(1,429)	714	714
2006	Street Project '95	0.00%	5,588	0	(2,794)	2,794	2,794
2008	Street Project '98	0.00%	6,875	0	(1,719)	5,156	1,718
2009	Street Project '99	0.00%	5,613	0	(1,021)	4,592	1,020
	Total OPWC Loans		21,759	0	(8,503)	13,256	6,246
	Total Governmental Activities Long-Term Debt	0.00%	383,205	156	(208,487)	174,874	23,906
Other Long-Term Obligations:							
	Compensated absences		667,620	19,992	0	687,612	40,863
2007	Capital leases	5.5%-8.90%	143,405	0	(94,037)	49,368	25,822
	Accrued pension liability		548,099	0	(8,549)	539,550	8,885
	Total other long-term obligations		1,359,124	19,992	(102,586)	1,276,530	75,570
	Total governmental activities long- term debt and other long- term debt obligations		<u>\$ 1,742,329</u>	<u>\$ 20,148</u>	<u>\$ (311,073)</u>	<u>\$ 1,451,404</u>	<u>\$ 99,476</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2004, \$153,958, 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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2004 follows:

Years	Mortgage Revenue Bond		OWDA Loans		Police/Fire Accrued Pension Liability		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 160,451	\$ 130,213	\$ 549,111	\$ 240,630	\$ 8,915	\$ 22,868	\$ 25,822	\$ 2,767
2006	165,801	121,550	574,052	216,687	9,298	22,486	11,448	1,294
2007	176,172	112,200	600,146	190,595	9,698	22,088	12,098	664
2008	186,563	102,300	627,446	163,294	10,114	21,671	0	0
2009	196,913	91,850	656,008	134,732	10,549	21,204	0	0
2010-2014	1,182,023	280,225	1,816,196	348,053	59,942	98,821	0	0
2015-2019	280,000	15,400	918,951	75,736	73,969	84,794	0	0
2020-2024	0	0	0	0	91,279	67,484	0	0
2025-2029	0	0	0	0	112,640	46,123	0	0
2030-2034	0	0	0	0	139,000	19,763	0	0
2035	0	0	0	0	14,146	301	0	0
Totals	\$ 2,347,923	\$ 853,738	\$ 5,741,910	\$ 1,369,727	\$ 539,550	\$ 427,603	\$ 49,368	\$ 4,725

Years	Special Assessment Bonds		John Deere Mower Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 9,853	\$ 8,810	\$ 7,660	\$ 830	\$ 777,282	\$ 406,118
2006	9,864	8,295	0	0	782,425	370,312
2007	9,873	7,775	0	0	819,949	333,322
2008	9,884	7,250	0	0	844,251	294,515
2009	9,897	6,670	0	0	883,101	254,456
2010-2014	59,750	24,360	0	0	3,164,024	751,459
2015-2019	44,837	5,220	0	0	1,363,870	181,150
2020-2024	0	0	0	0	109,725	67,484
2025-2029	0	0	0	0	112,640	46,123
2030-2034	0	0	0	0	139,000	19,763
2035	0	0	0	0	14,146	301
Totals	\$ 153,958	\$ 68,380	\$ 7,660	\$ 830	\$ 9,010,413	\$ 2,725,003

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2004 was \$967,153 in principal and interest payments through the year 2035. Only the principal amount of \$539,550 is included in the Governmental Activities as a long-term liability.

During 2003, 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 \$878,057.

The City entered into a loan agreement during 2003 with National City bank for the purchase of two John Deere mowers. The loan will be repaid from the Park User Fund with revenues generated from charges for services.

Revenue Bond Covenants

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 15: CAPITAL LEASE

The City is obligated under leases for a street department backhoe and air compressor and two police cruisers. The leases are accounted for as capital leases. The cost of the equipment obtained under capital lease and the related liability is included in the statement of net assets.

The following is a schedule of the future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2005	\$ 28,589
2006	12,742
2007	<u>12,742</u>
Minimum lease payments	54,073
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(4,705)</u>
Present value of minimum lease payments	<u>\$ 49,368</u>

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 \$68,488. The claims liability of \$4,488 reported in the Self-Insurance Fund at December 31, 2004 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 16: INSURANCE AND RISK MANAGEMENT (Continued)

Changes in the Fund's claims liability amount in fiscal 2003 and 2004 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>
2004	\$ 85,348	\$ 58,349	\$ 139,209	\$ 4,488
2003	130,000	997,086	1,041,738	85,348

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 2002, 2003 and 2004.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

NOTE 16: INSURANCE AND RISK MANAGEMENT (Continued)

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, 2004 and 2003:

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$ 30,547,049
Liabilities	<u>(16,989,918)</u>
Retained Earnings	<u><u>\$ 13,557,131</u></u>

<u>Property Coverage</u>	<u>2004</u>
Assets	\$ 3,652,970
Liabilities	<u>(544,771)</u>
Retained Earnings	<u><u>\$ 3,108,199</u></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 Team (S.E.N.T.). S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. 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 2004 the City contributed \$3,456 to S.E.N.T., which represents 19% of total contributions.

NOTE 18: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2004, there were three series of Revenue Bonds outstanding, with a principal amount payable of \$24,320,000.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
DECEMBER 31, 2004

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, 2004.

NOTE 20: SUBSEQUENT EVENT

During 2005 the Mortgage Revenue Bonds due to mature in 2015 were repaid with a Commercial Loan from National City, with a principal amount of \$1,958,000 and interest rate of 3.78%. Payments will be made biannually through 2015.

This page intentionally left blank.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Justice</u>			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	N/A	16.607	\$6,333
Local Law Enforcement Block Grants Program	N/A	16.592	6,152
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2004VA-GENE-029 2005VA-GENE-029	16.575 16.575	12,018 4,343
Total Crime Victim Assistance			16,361
<i>Passed Through Office of Criminal Justice Services:</i>			
Byrne Formula Grant Program	2004-DG-A01-7195	16.579	144,166
Total U.S. Department of Justice			173,012
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program			
Small Cities Program	A-D-03-100-1	14.228	150,000
CHIP Grant	A-C-01-100-1	14.228	78,923
Small Cities Program	A-F-00-100-1	14.228	1,150
Small Cities Program	A-C-03-100-1	14.228	4,489
Small Cities Program	A-F-03-100-1	14.228	84,000
Total Community Development Block Grant/State's Program			318,562
HOME Investment Partnerships Program	A-C-01-100-2	14.239	12,394
Total U.S. Department of Housing and Urban Development			330,956
<u>U.S. Department of Homeland Security</u>			
<i>Passed Through Guernsey County:</i>			
State Domestic Preparedness Equipment Support Program	2003-TE-TX-0199	97.004	15,850
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0025	97.004	13,455
Total State Domestic Preparedness Equipment Support Program			29,305
<i>Passed Through Ohio Department of Public Safety:</i>			
Public Assistance Grants	FEMA-DR-1519-OH	97.036	12,029
Public Assistance Grants	FEMA-DR-1556-OH	97.036	40,350
Total Public Assistance Grants			52,379
Total U.S. Department of Homeland Security			81,684
<u>U.S. Department of Transportation</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Highway Planning and Construction	TE21G034-000812	20.205	162,196
Total U.S. Department of Transportation			162,196
Total Federal Awards Expenditures			\$747,848

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

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM REVOLVING LOAN PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under this program was \$215,273 and is exhibited on the Statement of Net Assets as Loans Receivable.

NOTE C – MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2005 wherein we noted the City changed its capitalization criteria for capital assets from \$1,000 to \$5,000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated December 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the City's management dated December 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

City of Cambridge
Guernsey County
Independent Accountants' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 30, 2005



Auditor of State Betty Montgomery

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Cambridge, Guernsey County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the City's management dated December 30, 2005, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated December 30, 2005.

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

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

Betty Montgomery
Auditor of State

December 30, 2005

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant/ State's Program, C.F.D.A. #14.228 and Highway Planning and Construction Grant, C.F.D.A. #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

CITY OF CAMBRIDGE
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states money paid into any fund shall be used only for the purposes for which such fund is established.

During 2003, the City overpaid health insurance premiums from the Restricted Capital Improvement Fund. As of December 31, 2004, the City's General Fund still owed the Restricted Capital Improvement Fund \$186,717, which is reported as an interfund payable and receivable, respectively, on the accompanying financial statements.

As of the date of this report, the City's General Fund has made repayment to the Restricted Capital Improvement Fund for the entire amount.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now certificate – If the fiscal officer can certify that both at the time the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has 30 days from receipt of such certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City did not properly certify the availability of funds prior to incurring the obligation for 54% of transactions tested during the period.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of City funds exceeding budgetary spending limitations, we recommend that the City Auditor certify that the funds are or will be available prior to an obligation being incurred by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The City Auditor should sign the certification at the time the City incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The City Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)
DECEMBER 31, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> : <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.10 states money paid into one fund may only be used for the purposes for which such fund was established.	No	Partially corrected; Reissued as Finding No. 2004-001.
2003-002	GASB Statement 34 requires capitalization of infrastructure associated with governmental activities and depreciation to be recorded on the infrastructure.	Yes	N/A.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
FEBRUARY 23, 2006**