

City of Cambridge
Audited Financial Statements

December 31, 2008



Mary Taylor, CPA
Auditor of State

Mayor and Members of Council
City of Cambridge
1131 Steubenville Avenue
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the City of Cambridge, Guernsey County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 5, 2009

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2008

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2008

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 19, 2009

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cambridge (the "City"), Guernsey County, Ohio as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cambridge, Ohio as of December 31, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Fire Fund, and Street Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 19, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

The discussion and analysis of the City of Cambridge's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- General Revenues accounted for \$7,668,961 in revenue or 38.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$12,290,097 or 61.6 percent of total revenues of \$19,959,058.
- Total program expenses were \$15,330,496, \$10,727,215 in governmental activities and \$4,603,281 in business-type activities.
- In total, net assets increased \$4,628,562. Net assets of governmental activities increased \$3,586,690. Net assets of business-type activities increased \$1,041,872.
- Outstanding bonded debt decreased to \$5,757,406 in 2008 from \$6,574,135 in 2007 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 2008 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, street improvement fund, Campbell Avenue Bridge project fund and the fire fund are by far the most significant funds. Business-type funds consist of the water and sewer funds.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

A question typically asked about the City's finances "How did we do financially during 2008?" 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, street improvement fund, Campbell Avenue Bridge project 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, street improvement fund, Campbell Avenue Bridge project fund and fire fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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

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

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

The City of Cambridge as a Whole

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

Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and Other Assets	\$ 9,489,345	\$ 9,498,635	\$ 7,291,061	\$ 6,966,073	\$ 16,780,406	\$ 16,464,708
Capital Assets	17,011,914	13,365,165	16,841,812	16,962,551	33,853,726	30,327,716
<i>Total Assets</i>	26,501,259	22,863,800	24,132,873	23,928,624	50,634,132	46,792,424
Liabilities:						
Long-Term Liabilities	1,713,991	1,791,129	5,316,055	6,128,424	7,030,046	7,919,553
Other Liabilities	2,889,093	2,761,186	485,216	510,470	3,374,309	3,271,656
<i>Total Liabilities</i>	4,603,084	4,552,315	5,801,271	6,638,894	10,404,355	11,191,209
Net Assets:						
Invested In Capital Assets, Net of Debt	16,507,046	12,772,392	11,679,188	10,981,224	28,186,234	23,753,616
Restricted	3,816,988	3,615,172	0	0	3,816,988	3,615,172
Unrestricted	1,574,141	1,923,921	6,652,414	6,308,506	8,226,555	8,232,427
<i>Total Net Assets</i>	\$ 21,898,175	\$ 18,311,485	\$ 18,331,602	\$ 17,289,730	\$ 40,229,777	\$ 35,601,215

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Total assets increased by \$3,841,708 with governmental assets increasing \$3,637,459 and business-type assets increasing \$204,249. An increase of \$3,526,010 in total capital assets reflects additional purchases exceeding depreciation expense see pages 7 and 8 for a more detailed analysis of the City's assets. The majority of the increase was in governmental assets. Total liabilities decreased by \$786,854.

Total net assets increased by \$4,628,562. This number reflects an increase in both governmental activities and business-type activities.

Table 2 shows the changes in net assets for fiscal year 2008 and 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,888,597	\$ 1,875,116	\$ 5,431,677	\$ 5,417,406	\$ 7,320,274	\$ 7,292,522
Operating Grants	1,528,282	1,269,223	9,893	0	1,538,175	1,269,223
Capital Grants	3,246,548	1,082,897	185,100	0	3,431,648	1,082,897
<i>General Revenue:</i>						
Property Taxes	1,527,806	1,689,159	0	0	1,527,806	1,689,159
Income Taxes	4,545,422	4,419,679	0	0	4,545,422	4,419,679
Grants and Entitlements	997,241	1,030,269	0	0	997,241	1,030,269
Unrestricted Contributions	0	22,000	0	0	0	22,000
Investments	376,308	421,467	5,604	7,547	381,912	429,014
Other	203,701	293,228	12,879	5,220	216,580	298,448
Total Revenues	14,313,905	12,103,038	5,645,153	5,430,173	19,959,058	17,533,211
Program Expenses						
General Government	3,036,533	2,635,150	0	0	3,036,533	2,635,150
Security of Persons and Property	4,427,178	4,379,962	0	0	4,427,178	4,379,962
Transportation	1,447,842	1,547,242	0	0	1,447,842	1,547,242
Public Health Services	263,021	230,773	0	0	263,021	230,773
Community and Economic Development	651,679	427,010	0	0	651,679	427,010
Leisure Time Services	849,410	1,045,640	0	0	849,410	1,045,640
Interest and Fiscal Charges	51,552	36,802	0	0	51,552	36,802
<i>Enterprise Operations:</i>						
Water	0	0	2,539,748	1,942,473	2,539,748	1,942,473
Sewer	0	0	2,063,533	2,268,077	2,063,533	2,268,077
Total Program Expenses	10,727,215	10,302,579	4,603,281	4,210,550	15,330,496	14,513,129
Increase in Net Assets	\$ 3,586,690	\$ 1,800,459	\$ 1,041,872	\$ 1,219,623	\$ 4,628,562	\$ 3,020,082

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Governmental Activities

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

The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.5 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$4,427,178 represents 41.3 percent of the total governmental activities expenses. The police department operates out of the General fund and the fire department operates out of the Fire fund.

Our Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,447,842, or 13.5 percent of total governmental activities expenses, during 2008.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,112,431 in 2008 equaling 10.4 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2008, charges for services of \$5,431,677 accounted for 96.2 percent of the business type revenues. The total expenses for the utilities were \$4,603,281, thus leaving an increase in net assets of \$1,041,872 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$14,345,612 and expenditures and other financing uses of \$14,525,251. The resulting net change in fund balance from 2007 to 2008 was a decrease of \$179,639. 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 enterprise funds had operating revenues of \$5,444,506, which exceeded operating expenses of \$4,379,186 by \$1,065,320 or 19.6 percent 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, 2008

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 2008, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the final budget basis revenue was \$5,580,797, representing an increase of \$491,191 over the original budget estimate of \$5,089,606. Most of this difference was attributable to an increase in final budget amounts for income taxes.

Final appropriations of \$5,762,627 were \$31,865 higher than the \$5,730,762 in the original budget and \$176,113 higher than the actual budget expenditures of \$5,586,514.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2008, the City had \$33,853,726 invested in land, infrastructure, buildings, improvements, equipment, furniture, water and sewer lines, vehicles and construction in progress. A total of \$17,011,914 of this was for governmental activities and \$16,841,812 being attributable to business-type activities. Table 3 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,968,755	\$ 1,946,495	\$ 201,041	\$ 201,041	\$ 2,169,796	\$ 2,147,536
Infrastructure	9,856,293	5,546,839	0	0	9,856,293	5,546,839
Land Improvements	68,614	49,692	0	0	68,614	49,692
Buildings	1,847,864	1,911,304	5,154,960	5,511,238	7,002,824	7,422,542
Improvements Other Than Buildings	780,855	782,231	6,580,633	6,715,206	7,361,488	7,497,437
Equipment and Machinery	1,044,065	1,104,415	514,033	550,858	1,558,098	1,655,273
Furniture and Equipment	14,979	18,454	0	1	14,979	18,455
Vehicles	178,001	190,308	116,136	157,972	294,137	348,280
Water Lines		0	1,806,856	1,494,448	1,806,856	1,494,448
Sewer Lines		0	2,409,630	2,331,787	2,409,630	2,331,787
Construction in Progress	1,252,488	1,815,427	58,523	0	1,311,011	1,815,427
Totals	\$ 17,011,914	\$ 13,365,165	\$ 16,841,812	\$ 16,962,551	\$ 33,853,726	\$ 30,327,716

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

The \$3,526,010 increase in capital assets was primarily attributable to additions to the infrastructure of the city and construction in progress. The City has the Wills Creek, Campbell Avenue Bridge and Brookside Avenue improvements and municipal building projects which make up the majority of governmental activities construction in process at the end of 2008. The additions in the City's business type activities are largely related to the additional water and sewer lines. Note 9 provides capital asset activity during the 2008 year. The City capitalized general infrastructure for governmental activities.

Debt

The outstanding debt for the City of Cambridge as of December 31, 2008 was \$5,757,405. This balance reflected a reduction of \$826,730 from the previous year's balance of \$6,574,135, a reduction of 12.6 percent. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 1,580,000	\$ 1,773,000	\$ 1,580,000	\$ 1,773,000
Special Assessment Bonds	114,484	124,368	0	0	114,484	124,368
OWDA Loans	0	0	3,425,567	4,024,834	3,425,567	4,024,834
OPWC Loans	0	0	119,897	129,120	119,897	129,120
Police and Fire Pension	501,526	511,640	0	0	501,526	511,640
John Deere Tractor	15,931	0	0	0	15,931	0
Ford Ranger Loan	0	11,173	0	0	0	11,173
<i>Total</i>	<u>\$ 631,941</u>	<u>\$ 647,181</u>	<u>\$ 5,125,464</u>	<u>\$ 5,926,954</u>	<u>\$ 5,757,405</u>	<u>\$ 6,574,135</u>

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

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

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

Economic Factors

The City had several projects initiated in 2008 with construction scheduled to be completed in 2009. The Brookside Road, Waterline and Campbell Avenue bridge projects are underway. The Skate Park equipment will be installed in early June 2008. In 2008, The City conducted its annual street resurfacing project in addition to the road and sidewalk projects along Wills Creek Drive. The City continues to use ODOT, OPWC, CDBG and departmental budgets to get this work completed.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2008

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, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,795,398	\$ 5,789,049	\$ 9,584,447
Cash and Cash Equivalents in Segregated Accounts	525,048	0	525,048
Investments	60,907	0	60,907
Taxes Receivable	3,254,905	0	3,254,905
Accounts Receivable	124,973	1,283,351	1,408,324
Intergovernmental Receivable	1,452,556	9,893	1,462,449
Loans Receivable	161,721	0	161,721
Special Assessments Receivable	91,555	0	91,555
Internal Balances	(30)	30	0
Materials and Supplies Inventory	10,918	22,643	33,561
Prepaid Items	9,205	12,183	21,388
Deferred Charges	2,189	0	2,189
Restricted Assets:			
Cash and Cash Equivalents	0	173,912	173,912
Non-Depreciable Capital Assets	3,221,243	259,564	3,480,807
Depreciable Capital Assets, Net	13,790,671	16,582,248	30,372,919
<i>Total Assets</i>	<u>26,501,259</u>	<u>24,132,873</u>	<u>50,634,132</u>
Liabilities			
Accounts Payable	46,651	95,524	142,175
Accrued Wages	338,959	85,296	424,255
Contracts Payable	166,019	0	166,019
Intergovernmental Payable	273,925	45,459	319,384
Accrued Vacation Leave Payable	310,644	80,048	390,692
Accrued Interest Payable	556	4,977	5,533
Customer Deposits Payable	0	173,912	173,912
Claims Payable	7,751	0	7,751
Deferred Revenue	1,744,588	0	1,744,588
Long-Term Liabilities:			
Due Within One Year	172,675	892,077	1,064,752
Due in More Than One Year	1,541,316	4,423,978	5,965,294
<i>Total Liabilities</i>	<u>4,603,084</u>	<u>5,801,271</u>	<u>10,404,355</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,507,046	11,679,188	28,186,234
Restricted for Debt Service	151,906	0	151,906
Restricted for Capital Outlay	216,162	0	216,162
Restricted for Other Purposes	3,448,920	0	3,448,920
Unrestricted	1,574,141	6,652,414	8,226,555
<i>Total Net Assets</i>	<u>\$ 21,898,175</u>	<u>\$ 18,331,602</u>	<u>\$ 40,229,777</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Activities
For the Year Ended December 31, 2008

	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	\$ 3,036,533	\$ 1,067,710	\$ 0	\$ 0	\$ (1,968,823)	\$ 0	\$ (1,968,823)
Security of Persons and Property	4,427,178	432,820	607,844	6,000	(3,380,514)	0	(3,380,514)
Public Health	263,021	120,036	4,405	0	(138,580)	0	(138,580)
Leisure Time Services	849,410	224,581	33,223	0	(591,606)	0	(591,606)
Community and Economic Development	651,679	43,450	440,625	0	(167,604)	0	(167,604)
Transportation	1,447,842	0	442,185	3,240,548	2,234,891	0	2,234,891
Interest and Fiscal Charges	51,552	0	0	0	(51,552)	0	(51,552)
<i>Total Governmental Activities</i>	<u>10,727,215</u>	<u>1,888,597</u>	<u>1,528,282</u>	<u>3,246,548</u>	<u>(4,063,788)</u>	<u>0</u>	<u>(4,063,788)</u>
Business-Type Activities:							
Sewer Fund	2,063,533	2,721,633	3,906	137,400	0	799,406	799,406
Water Fund	2,539,748	2,710,044	5,987	47,700	0	223,983	223,983
<i>Total Business-Type Activities</i>	<u>4,603,281</u>	<u>5,431,677</u>	<u>9,893</u>	<u>185,100</u>	<u>0</u>	<u>1,023,389</u>	<u>1,023,389</u>
<i>Total - Primary Government</i>	<u>\$ 15,330,496</u>	<u>\$ 7,320,274</u>	<u>\$ 1,538,175</u>	<u>\$ 3,431,648</u>	<u>(4,063,788)</u>	<u>1,023,389</u>	<u>(3,040,399)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					313,976	0	313,976
Police and Fire Services					1,213,830	0	1,213,830
Income Taxes Levied for:							
General Purposes					3,181,915	0	3,181,915
Other Purposes					1,363,507	0	1,363,507
Grants and Entitlements not Restricted to Specific Programs					997,241	0	997,241
Investment Earnings					376,308	5,604	381,912
Miscellaneous					203,701	12,879	216,580
<i>Total General Revenues</i>					<u>7,650,478</u>	<u>18,483</u>	<u>7,668,961</u>
<i>Change in Net Assets</i>					<u>3,586,690</u>	<u>1,041,872</u>	<u>4,628,562</u>
<i>Net Assets, Beginning of Year</i>					<u>18,311,485</u>	<u>17,289,730</u>	<u>35,601,215</u>
<i>Net Assets, End of Year</i>					<u>\$ 21,898,175</u>	<u>\$ 18,331,602</u>	<u>\$ 40,229,777</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Balance Sheet
Governmental Funds
December 31, 2008

	General	Fire	Street Improvement	Campbell Avenue Bridge Project	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 597,416	\$ 250,927	\$ 383,234	\$ 0	\$ 2,557,841	\$ 3,789,418
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	519,348	519,348
Investments	0	0	0	0	60,907	60,907
Taxes Receivable	1,267,646	1,508,044	251,157	0	228,058	3,254,905
Accounts Receivable	90,201	0	0	0	34,772	124,973
Intergovernmental Receivable	394,470	101,195	219,489	54,814	682,588	1,452,556
Loans Receivable	0	0	0	0	161,721	161,721
Special Assessments Receivable	0	0	0	0	91,555	91,555
Materials and Supplies Inventory	0	0	0	0	10,918	10,918
Prepaid Items	5,260	877	0	0	3,068	9,205
<i>Total Assets</i>	<u>\$ 2,354,993</u>	<u>\$ 1,861,043</u>	<u>\$ 853,880</u>	<u>\$ 54,814</u>	<u>\$ 4,350,776</u>	<u>\$ 9,475,506</u>
Liabilities						
Accounts Payable	26,906	8,267	911	0	10,567	46,651
Accrued Wages	208,330	81,679	0	0	48,950	338,959
Contracts Payable	0	0	91,067	54,814	20,138	166,019
Intergovernmental Payable	154,145	96,283	0	0	23,497	273,925
Deferred Revenue	840,769	1,603,233	65,831	26,500	802,524	3,338,857
<i>Total Liabilities</i>	<u>1,230,150</u>	<u>1,789,462</u>	<u>157,809</u>	<u>81,314</u>	<u>905,676</u>	<u>4,164,411</u>
Fund Balances						
Reserved for Encumbrances	17,445	1,467	80,345	0	16,159	115,416
Reserved for Loans Receivable	0	0	0	0	161,721	161,721
Unreserved, Undesignated, Reported in:						
General Fund	1,107,398	0	0	0	0	1,107,398
Special Revenue Funds	0	70,114	615,726	0	2,784,003	3,469,843
Debt Service Funds	0	0	0	0	81,278	81,278
Capital Projects Funds	0	0	0	(26,500)	401,939	375,439
<i>Total Fund Balances</i>	<u>1,124,843</u>	<u>71,581</u>	<u>696,071</u>	<u>(26,500)</u>	<u>3,445,100</u>	<u>5,311,095</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,354,993</u>	<u>\$ 1,861,043</u>	<u>\$ 853,880</u>	<u>\$ 54,814</u>	<u>\$ 4,350,776</u>	<u>\$ 9,475,506</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Fund Balances		\$ 5,311,095
<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.		17,011,914
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 254,208	
Income Tax	251,789	
Intergovernmental	996,717	
Charges for Services	91,555	
Total	1,594,269	1,594,269
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.		3,899
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(556)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		2,189
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special Assessment Bonds	(114,484)	
Accrued Vacation Payable	(310,644)	
Capital Leases	(376,642)	
Police and Fire Pension	(501,526)	
Installment Loan	(15,931)	
Compensated Absences	(705,408)	
Total	(2,024,635)	(2,024,635)
<i>Net Assets of Governmental Activities</i>		\$ 21,898,175

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Fire	Street Improvement	Campbell Avenue Bridge Project	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 313,376	\$ 1,130,456	\$ 0	\$ 0	\$ 81,750	\$ 1,525,582
Income Taxes	3,140,500	0	897,134	0	448,646	4,486,280
Special Assessments	0	0	0	0	12,476	12,476
Charges for Services	0	172,652	0	0	325,342	497,994
Licenses and Permits	146,304	0	0	0	0	146,304
Fines and Forfeitures	760,047	0	0	0	440,702	1,200,749
Intergovernmental	1,012,435	332,340	1,016,061	1,678,418	1,020,813	5,060,067
Interest	296,721	0	0	0	79,587	376,308
Rent	38,299	100	0	0	0	38,399
Contributions and Donations	6,000	10,300	0	0	37,628	53,928
Other	152,683	4,031	0	0	46,987	203,701
<i>Total Revenues</i>	<u>5,866,365</u>	<u>1,649,879</u>	<u>1,913,195</u>	<u>1,678,418</u>	<u>2,493,931</u>	<u>13,601,788</u>
Expenditures						
Current:						
General Government	2,597,602	0	0	0	417,524	3,015,126
Security of Persons and Property	2,150,627	1,506,023	0	0	672,683	4,329,333
Public Health	0	0	0	0	251,818	251,818
Leisure Time Services	597,314	0	0	0	192,892	790,206
Community and Economic Development	188,077	0	0	0	462,755	650,832
Transportation	0	0	623,458	1,650,104	1,182,814	3,456,376
Capital Outlay	0	0	903,130	54,814	195,674	1,153,618
Debt Service:						
Principal Retirements	21,500	41,565	0	0	54,623	117,688
Interest and Fiscal Charges	3,335	13,062	0	0	34,594	50,991
<i>Total Expenditures</i>	<u>5,558,455</u>	<u>1,560,650</u>	<u>1,526,588</u>	<u>1,704,918</u>	<u>3,465,377</u>	<u>13,815,988</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>307,910</u>	<u>89,229</u>	<u>386,607</u>	<u>(26,500)</u>	<u>(971,446)</u>	<u>(214,200)</u>
Other Financing Sources and (Uses)						
Transfers In	0	0	0	0	709,263	709,263
Proceeds of Loan	0	0	0	0	19,061	19,061
Proceeds from Sale of Capital Assets	0	0	0	0	15,500	15,500
Transfers Out	(479,925)	(229,338)	0	0	0	(709,263)
<i>Total Other Financing Sources and (Uses)</i>	<u>(479,925)</u>	<u>(229,338)</u>	<u>0</u>	<u>0</u>	<u>743,824</u>	<u>34,561</u>
<i>Net Change in Fund Balance</i>	<u>(172,015)</u>	<u>(140,109)</u>	<u>386,607</u>	<u>(26,500)</u>	<u>(227,622)</u>	<u>(179,639)</u>
<i>Fund Balance, Beginning of Year</i>	<u>1,296,858</u>	<u>211,690</u>	<u>309,464</u>	<u>0</u>	<u>3,672,722</u>	<u>5,490,734</u>
<i>Fund Balance, End of Year</i>	<u>\$ 1,124,843</u>	<u>\$ 71,581</u>	<u>\$ 696,071</u>	<u>\$ (26,500)</u>	<u>\$ 3,445,100</u>	<u>\$ 5,311,095</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ (179,639)

*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	\$ 4,189,878	
Current Year Depreciation	<u>(775,741)</u>	3,414,137

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. (28,629)

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

Delinquent Property Taxes	2,224	
Income Tax	59,142	
Intergovernmental	284,558	
Charges for Services	<u>(7,325)</u>	338,599

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 48

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

Bond Issuance Costs	(493)	
Bond Discount	<u>(116)</u>	(609)

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

Police and Fire Pension	10,114	
Installment Loans	14,303	
Special Assessment Bonds	10,000	
Capital Leases	<u>83,271</u>	117,688

Loan proceeds in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities. (19,061)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Vacation Payable	(42,907)	
Compensated Absences	<u>(21,373)</u>	(64,280)

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. 8,436

Change in Net Assets of Governmental Activities \$ 3,586,690

The accompanying notes are an integral part of 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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 356,832	\$ 353,176	\$ 313,376	\$ (39,800)
Income Taxes	2,680,000	3,005,000	3,136,260	131,260
Licenses and Permits	140,500	140,500	145,015	4,515
Fines and Forfeitures	671,000	671,000	759,035	88,035
Intergovernmental	870,274	873,930	1,002,292	128,362
Interest	300,000	300,000	307,704	7,704
Rent	20,000	20,000	36,527	16,527
Other	51,000	217,191	153,183	(64,008)
<i>Total Revenues</i>	<u>5,089,606</u>	<u>5,580,797</u>	<u>5,853,392</u>	<u>272,595</u>
Expenditures				
Current:				
General Government	2,574,326	2,745,384	2,617,454	127,930
Security of Persons and Property	2,376,476	2,190,790	2,150,531	40,259
Leisure Time Services	590,615	612,273	605,839	6,434
Community and Economic Development	189,345	189,345	187,855	1,490
Debt Service:				
Principal Retirements	0	21,500	21,500	0
Interest and Fiscal Charges	0	3,335	3,335	0
<i>Total Expenditures</i>	<u>5,730,762</u>	<u>5,762,627</u>	<u>5,586,514</u>	<u>176,113</u>
Excess of Revenues Over (Under) Expenditures	<u>(641,156)</u>	<u>(181,830)</u>	<u>266,878</u>	<u>448,708</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>(260,000)</u>	<u>(479,925)</u>	<u>(479,925)</u>	<u>0</u>
Net Change in Fund Balance	(901,156)	(661,755)	(213,047)	448,708
Fund Balance, Beginning of Year	735,029	735,029	735,029	0
Prior Year Encumbrances Appropriated	<u>16,558</u>	<u>16,558</u>	<u>16,558</u>	<u>0</u>
Fund Balance (Deficit) , End of Year	<u>\$ (149,569)</u>	<u>\$ 89,832</u>	<u>\$ 538,540</u>	<u>\$ 448,708</u>

The accompanying notes are an integral part of 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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 1,256,015	\$ 1,050,276	\$ 1,130,456	\$ 80,180
Charges for Services	172,389	172,389	172,652	263
Intergovernmental	92,287	298,026	328,986	30,960
Rent	500	500	100	(400)
Contributions and Donations	0	0	10,300	10,300
Other	10,000	20,300	4,031	(16,269)
<i>Total Revenues</i>	<u>1,531,191</u>	<u>1,541,491</u>	<u>1,646,525</u>	<u>105,034</u>
Expenditures				
Current:				
Security of Persons and Property	1,871,560	1,894,860	1,505,391	389,469
Debt Service:				
Principal Retirements	0	0	41,565	(41,565)
Interest and Fiscal Charges	0	0	13,062	(13,062)
<i>Total Expenditures</i>	<u>1,871,560</u>	<u>1,894,860</u>	<u>1,560,018</u>	<u>334,842</u>
Excess of Revenues Over (Under) Expenditures	<u>(340,369)</u>	<u>(353,369)</u>	<u>86,507</u>	<u>439,876</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>0</u>	<u>0</u>	<u>(229,338)</u>	<u>(229,338)</u>
Net Change in Fund Balance	(340,369)	(353,369)	(142,831)	210,538
Fund Balance, Beginning of Year	368,105	368,105	368,105	0
Prior Year Encumbrances Appropriated	<u>16,119</u>	<u>16,119</u>	<u>16,119</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 43,855</u>	<u>\$ 30,855</u>	<u>\$ 241,393</u>	<u>\$ 210,538</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Improvement Fund
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Income Taxes	\$ 850,000	\$ 850,000	\$ 895,982	\$ 45,982
Intergovernmental	0	0	812,063	812,063
Other	50,000	153,009	0	(153,009)
<i>Total Revenues</i>	<u>900,000</u>	<u>1,003,009</u>	<u>1,708,045</u>	<u>705,036</u>
Expenditures				
Transportation	800,000	800,000	715,115	84,885
Capital Outlay	0	103,009	915,072	(812,063)
<i>Total Expenditures</i>	<u>800,000</u>	<u>903,009</u>	<u>1,630,187</u>	<u>(727,178)</u>
Excess of Revenues Over Expenditures	<u>100,000</u>	<u>100,000</u>	<u>77,858</u>	<u>(22,142)</u>
Net Change in Fund Balance	100,000	100,000	77,858	(22,142)
Fund Balance at Beginning of Year	89,103	89,103	89,103	0
Prior Year Encumbrances Appropriated	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 314,103</u>	<u>\$ 314,103</u>	<u>\$ 291,961</u>	<u>\$ (22,142)</u>

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,237,678	\$ 2,551,371	\$ 5,789,049	\$ 5,980
Cash and Cash Equivalents in Segregated Accounts	0	0	0	5,700
Accounts Receivable	637,705	645,646	1,283,351	0
Intergovernmental Receivable	3,906	5,987	9,893	0
Materials and Supplies Inventory	0	22,643	22,643	0
Prepaid Items	3,332	8,851	12,183	0
<i>Total Current Assets</i>	<u>3,882,621</u>	<u>3,234,498</u>	<u>7,117,119</u>	<u>11,680</u>
<i>Non-Current Assets:</i>				
Restricted Cash and Cash Equivalents	0	173,912	173,912	0
Non-Depreciable Capital Assets	58,512	201,052	259,564	0
Depreciable Capital Assets, Net	9,020,829	7,561,419	16,582,248	0
<i>Total Non-Current Assets</i>	<u>9,079,341</u>	<u>7,936,383</u>	<u>17,015,724</u>	<u>0</u>
<i>Total Assets</i>	<u>12,961,962</u>	<u>11,170,881</u>	<u>24,132,843</u>	<u>11,680</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	46,545	48,979	95,524	0
Accrued Wages	45,543	39,753	85,296	0
Intergovernmental Payable	21,514	23,945	45,459	0
Accrued Vacation Leave Payable	37,741	42,307	80,048	0
Accrued Interest Payable	0	4,977	4,977	0
Customer Deposits Payable	0	173,912	173,912	0
Claims Payable	0	0	0	7,751
Compensated Absences Payable	7,054	4,988	12,042	0
Capital Leases Payable	15,314	2,794	18,108	0
Revenue Bonds Payable	0	199,000	199,000	0
OPWC Loan Payable	0	9,223	9,223	0
OWDA Loans Payable	457,385	196,319	653,704	0
<i>Total Current Liabilities</i>	<u>631,096</u>	<u>746,197</u>	<u>1,377,293</u>	<u>7,751</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	54,424	86,966	141,390	0
Revenue Bonds Payable - Net of Current Portion	0	1,381,000	1,381,000	0
Capital Leases Payable - Net of Current Portion	2,476	16,575	19,051	0
OPWC Loan Payable - Net of Current Portion	0	110,674	110,674	0
OWDA Loans Payable - Net of Current Portion	744,405	2,027,458	2,771,863	0
<i>Total Long-Term Liabilities</i>	<u>801,305</u>	<u>3,622,673</u>	<u>4,423,978</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,432,401</u>	<u>4,368,870</u>	<u>5,801,271</u>	<u>7,751</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,859,761	3,819,427	11,679,188	0
Unrestricted	3,669,800	2,982,584	6,652,384	3,929
<i>Total Net Assets</i>	<u>\$ 11,529,561</u>	<u>\$ 6,802,011</u>	<u>18,331,572</u>	<u>\$ 3,929</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.

30

\$ 18,331,602

The accompanying notes are an integral part of 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, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Operating Revenues				
Charges for Services	\$ 2,721,633	\$ 2,710,044	\$ 5,431,677	\$ 92,679
Other	9,176	3,653	12,829	0
<i>Total Operating Revenues</i>	<u>2,730,809</u>	<u>2,713,697</u>	<u>5,444,506</u>	<u>92,679</u>
Operating Expenses				
Personal Services	882,920	1,014,428	1,897,348	0
Contractual Services	361,442	374,545	735,987	5,238
Materials and Supplies	438,498	567,041	1,005,539	0
Utilities	0	4,183	4,183	0
Claims	0	0	0	76,374
Depreciation	320,015	416,114	736,129	0
<i>Total Operating Expenses</i>	<u>2,002,875</u>	<u>2,376,311</u>	<u>4,379,186</u>	<u>81,612</u>
<i>Operating Income</i>	<u>727,934</u>	<u>337,386</u>	<u>1,065,320</u>	<u>11,067</u>
Non-Operating Revenues (Expenses)				
Interest	5,604	0	5,604	10
Intergovernmental	3,906	5,987	9,893	0
Other Non-Operating Revenue	50	0	50	0
Interest and Fiscal Charges	(61,982)	(164,754)	(226,736)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(52,422)</u>	<u>(158,767)</u>	<u>(211,189)</u>	<u>10</u>
<i>Income Before Capital Contributions</i>	675,512	178,619	854,131	11,077
Capital Contributions	137,400	47,700	185,100	0
<i>Change in Net Assets</i>	812,912	226,319	1,039,231	11,077
<i>Net Assets (Deficit), Beginning of Year</i>	<u>10,716,649</u>	<u>6,575,692</u>		<u>(7,148)</u>
<i>Net Assets, End of Year</i>	<u>\$ 11,529,561</u>	<u>\$ 6,802,011</u>		<u>\$ 3,929</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>2,641</u>	
Changes in Net Assets of Business-Type Activities			<u>\$ 1,041,872</u>	

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,739,108	\$ 2,714,018	\$ 5,453,126	\$ 92,679
Other Operating Receipts	9,126	3,653	12,779	0
Cash Payments to Suppliers for Goods and Services	(436,017)	(573,180)	(1,009,197)	0
Cash Payments to Employees	(874,092)	(1,028,084)	(1,902,176)	0
Cash Payments for Contractual Services	(358,405)	(380,638)	(739,043)	(5,238)
Claims Paid	0	0	0	(81,471)
<i>Net Cash Provided by Operating Activities</i>	<u>1,079,720</u>	<u>735,769</u>	<u>1,815,489</u>	<u>5,970</u>
Cash Flows from Noncapital Financing Activities				
Other Non-Operating	50	0	50	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(33,046)	(407,533)	(440,579)	0
Principal Payments on Capital Leases	0	(17,213)	(17,213)	0
Principal Payments on Debt	(410,645)	(390,845)	(801,490)	0
Interest Payments	(61,982)	(165,362)	(227,344)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(505,673)</u>	<u>(980,953)</u>	<u>(1,486,626)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	5,604	0	5,604	10
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>579,701</u>	<u>(245,184)</u>	<u>334,517</u>	<u>5,980</u>
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>2,657,977</u>	<u>2,970,467</u>	<u>5,628,444</u>	<u>5,700</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 3,237,678</u>	<u>\$ 2,725,283</u>	<u>\$ 5,962,961</u>	<u>\$ 11,680</u>

(Continued)

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 727,934	\$ 337,386	\$ 1,065,320	\$ 11,067
Adjustments:				
Depreciation	320,015	416,114	736,129	0
Loss on Disposal of Capital Assets	0	10,289	10,289	0
(Increase) Decrease in Assets:				
Accounts Receivable	17,250	3,935	21,185	0
Prepaid Items	0	354	354	0
Materials and Supplies Inventory	0	524	524	0
Increase (Decrease) in Liabilities:				
Accounts Payable	5,693	(25,093)	(19,400)	0
Customer Deposits Payable	0	5,916	5,916	0
Accrued Wages	7,185	(8,377)	(1,192)	0
Accrued Vacation Payable	(5,135)	(4,837)	(9,972)	0
Compensated Absences Payable	6,536	(202)	6,334	0
Claims Payable	0	0	0	(5,097)
Intergovernmental Payable	242	(240)	2	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,079,720</u>	<u>\$ 735,769</u>	<u>\$ 1,815,489</u>	<u>\$ 5,970</u>

Noncash Capital Financing Activities:

During 2008, capital assets were donated by developers to the water and sewer enterprise funds in the amounts of \$47,700 and \$137,400, respectively.

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Private Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 50,609	\$ 242,775
Accounts Receivable	0	6,059
<i>Total Assets</i>	<u>50,609</u>	<u>248,834</u>
Liabilities		
Due to Others	0	248,834
<i>Total Liabilities</i>		<u>\$ 248,834</u>
Net Assets		
Held in Trust for Private Purposes	<u>50,609</u>	
<i>Total Net Assets</i>	<u>\$ 50,609</u>	

The accompanying notes are an integral part of the basic financial statements.

City of Cambridge
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For The Year Ended December 31, 2008

	Private Purpose Trust
Additions	
Interest	\$ 813
Deductions	
Payments in Accordance with Trust Agreements	13,550
<i>Change in Net Assets</i>	(12,737)
<i>Net Assets, Beginning of Year</i>	63,346
<i>Net Assets, End of Year</i>	\$ 50,609

The accompanying notes are an integral part of the basic financial statements.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
December 31, 2008

NOTE 1 – REPORTING ENTITY

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

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

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

Related Organizations

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

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 38 percent of the funds received by the Authority in 2008; however, the City is not financially accountable for the Authority.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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

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

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

Street Improvement Special Revenue Fund. The street improvement fund is used to account for the revenue and expenditures related to street improvement projects for the City

Campbell Avenue Bridge Capital Projects Fund. The Campbell Avenue Bridge fund is used to account for financial resources for the Campbell Avenue bridge project.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

C. Measurement Focus

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

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 2008, investments were limited to a certificate of deposit, money markets, and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$296,721, which includes \$275,273 assigned from other City funds.

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

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2008, \$145,734 of the City's net assets were restricted by enabling legislation.

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

N. Fund Balance Reserves

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Estimates

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

S. Budgetary Data

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as 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 and street improvement major special revenue funds.

Net Change in Fund Balance	<u>General</u>	<u>Fire</u>	<u>Street Improvement</u>
GAAP Basis	\$ (172,015)	\$ (140,109)	\$ 386,607
Revenue accruals	(12,973)	(3,354)	(205,150)
Expenditure accruals	8,758	10,166	(12,326)
Encumbrances	<u>(36,817)</u>	<u>(9,534)</u>	<u>(91,273)</u>
Budget Basis	<u>\$ (213,047)</u>	<u>\$ (142,831)</u>	<u>\$ 77,858</u>

NOTE 4: ACCOUNTABILITY

The following funds had deficit balances as of December 31, 2008:

	<u>Deficit</u>
Major fund:	
Campbell Avenue Bridge Project	\$ (26,500)
Non-major fund:	
SENT Grant	(798)

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2008, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$10,197,698. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2008, \$10,066,410 of the City's bank balance of \$10,378,777 was exposed to custodial risk as discussed above, while \$312,367 was covered by Federal Deposit Insurance Corporation.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2008, the City had the following investment and maturity:

Investment Type	Fair Value	6 Months or Less
Repurchase Agreement	\$ 440,000	\$ 440,000

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

Credit Risk. The repurchase agreement is an unrated investment.

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

NOTE 6: TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represent collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 6: TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2008, was \$12.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$ 140,283,350
Tangible Personal Property	528,190
Public Utilities	<u>6,105,840</u>
Total	<u><u>\$ 146,917,380</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Cambridge. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which became measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

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

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

NOTE 7: RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The special revenue funds reflect loans receivable of \$161,721. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. The fund balance representing revolving loans receivable is reserved because it is not appropriate for expenditures, or is legally segregated for specific use.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 8: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 479,925
Fire Protection Fund	0	229,338
Non-Major Governmental Funds:		
Tree Fund	5,000	0
Municipal Airport Fund	125,000	0
Fire Pension Fund	229,338	0
Police Pension Fund	200,925	0
Bond Retirement Fund	4,774	0
VOCA	1,643	0
Cemetery Fund	142,583	0
Total Non-Major Governmental Funds	709,263	0
Total All Funds	\$ 709,263	\$ 709,263

The transfer to the Fire Pension Fund from the Fire Protection Fund in the amount of \$229,338, along with the \$200,925 transfer to the Police Pension Fund from the General Fund, was for the purpose of pension payments to the Ohio Police and Fire Pension Fund.

The general fund transferred \$4,774 to the bond retirement fund for debt payments. The remaining transfers from the General Fund to the various other non-major funds were to cover operating costs.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2008 follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,946,495	\$ 22,260	\$ 0	\$ 1,968,755
Construction in Progress	1,815,427	3,403,987	(3,966,926)	1,252,488
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,761,922</u>	<u>3,426,247</u>	<u>(3,966,926)</u>	<u>3,221,243</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	97,184	24,400	0	121,584
Buildings	2,839,215	0	0	2,839,215
Improvements Other Than Buildings	1,701,003	83,859	(7,857)	1,777,005
Machinery and Equipment	2,619,097	86,028	(35,349)	2,669,776
Furniture and Fixtures	44,466	0	0	44,466
Vehicles	756,833	46,634	0	803,467
Infrastructure	9,291,030	4,750,877	0	14,041,907
<i>Total Capital Assets, Being Depreciated</i>	<u>17,348,828</u>	<u>4,991,798</u>	<u>(43,206)</u>	<u>22,297,420</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(47,492)	(5,478)	0	(52,970)
Buildings	(927,911)	(63,440)	0	(991,351)
Improvements Other Than Buildings	(918,772)	(80,914)	3,536	(996,150)
Machinery and Equipment	(1,514,682)	(122,070)	11,041	(1,625,711)
Furniture and Fixtures	(26,012)	(3,475)	0	(29,487)
Vehicles	(566,525)	(58,941)	0	(625,466)
Infrastructure	(3,744,191)	(441,423)	0	(4,185,614)
<i>Total Accumulated Depreciation</i>	<u>(7,745,585)</u>	<u>(775,741)*</u>	<u>14,577</u>	<u>(8,506,749)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>9,603,243</u>	<u>4,216,057</u>	<u>(28,629)</u>	<u>13,790,671</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 13,365,165</u>	<u>\$ 7,642,304</u>	<u>\$ (3,995,555)</u>	<u>\$ 17,011,914</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 9: CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	\$	25,037
Leisure Time Services		147,136
Security of Persons and Property		77,542
Transportation		503,070
Public Health		<u>22,956</u>
 Total	 \$	 <u><u>775,741</u></u>

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2008</u>
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in Progress	<u>0</u>	<u>58,523</u>	<u>0</u>	<u>58,523</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>201,041</u>	<u>58,523</u>	<u>0</u>	<u>259,564</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	10,451,651	0	(130,960)	10,320,691
Improvements Other Than Buildings	9,410,749	18,850	(18,599)	9,411,000
Machinery and Equipment	1,104,903	48,969	(46,434)	1,107,438
Furniture and Fixtures	39,839	0	(5,248)	34,591
Vehicles	566,366	9,000	(31,479)	543,887
Water Lines	2,838,167	352,937	0	3,191,104
Sewer Lines	<u>4,648,681</u>	<u>137,400</u>	<u>0</u>	<u>4,786,081</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>29,060,356</u>	<u>567,156</u>	<u>(232,720)</u>	<u>29,394,792</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(4,940,413)	(356,278)	130,960	(5,165,731)
Improvements Other Than Buildings	(2,695,543)	(147,477)	12,653	(2,830,367)
Machinery and Equipment	(554,045)	(81,452)	42,092	(593,405)
Furniture and Fixtures	(39,838)	0	5,247	(34,591)
Vehicles	(408,394)	(50,836)	31,479	(427,751)
Water Lines	(1,343,719)	(40,529)	0	(1,384,248)
Sewer Lines	<u>(2,316,894)</u>	<u>(59,557)</u>	<u>0</u>	<u>(2,376,451)</u>
<i>Total Accumulated Depreciation</i>	<u>(12,298,846)</u>	<u>(736,129)</u>	<u>222,431</u>	<u>(12,812,544)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>16,761,510</u>	<u>(168,973)</u>	<u>(455,151)</u>	<u>16,582,248</u>
 <i>Total Business-Type Capital Assets, Net</i>	 <u>\$ 16,962,551</u>	 <u>\$ (110,450)</u>	 <u>\$ (455,151)</u>	 <u>\$ 16,841,812</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10.0 percent of covered payroll and public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. For 2008, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$279,977, \$324,906, and \$346,360, respectively; 92.4 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$6,572 made by the City and \$4,695 made by the plan members.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$154,721 and \$191,315 for the year ended December 31, 2008, \$154,406 and \$186,503 for the year ended December 31, 2007 and \$126,328 and \$168,225 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 76.6 percent has been contributed for police and 76.1 percent has been contributed for firefighters for 2008.

Medicare System

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

NOTE 11: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222- 5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$279,977, \$214,010, and \$169,415 respectively; 92.4 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$81,911 and \$74,863 for the year ended December 31, 2008, \$81,745 and \$72,979 for the year ended December 31, 2007 and \$83,322 and 80,231 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 76.6 percent has been contributed for police and 76.1 percent has been contributed for firefighter for 2008.

NOTE 12: CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2008
Nicolazakes Trucking & Construction, Inc. - Reservoir Spillway Improvements	\$ 83,164	58,523	24,641
Nicolazakes Trucking & Construction, Inc. - US 40/I-77 Sanitary Sewer Extension	409,687	0	409,687
Nicolazakes Trucking & Construction, Inc. - US 40/I-77 Sanitary Sewer Extension-extra work	173,202	0	173,202
Davis Architectural Group	172,637	72,292	100,345
	<u>\$ 838,690</u>	<u>\$ 130,815</u>	<u>\$ 707,875</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 13: COMPENSATED ABSENCES

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

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2008 the liability for unpaid compensated absences was \$858,840.

NOTE 14: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Special Assessment Bonds:			
Waterline Improvement - 1997	5.25%	\$ 51,864	12/1/2017
Sewerline Improvement - 1997	5.25%	148,136	12/1/2017
Truck Loan - 2006	4.98%	17,713	4/15/2011 *
John Deere Tractor Loan - 2008	3.45%	19,061	10/15/2009
Business-Type Activities:			
Water System Refunding Bonds - 2005	3.78%	1,958,000	12/1/2015
Ohio Public Works Commission Loan:			
Water Treatment Plant Filter Rehabilitation - 2002	0.00%	184,457	1/1/2022
Ohio Water Development Authority Loans:			
Treatment Plant Refinancing - 1991	5.00%	5,042,434	1/1/2011
Sludge Facility - 1999	4.04%	3,873,566	7/1/2018
Digester and Sewer Lining - 2004	3.50%	877,877	1/1/2014

* This loan was paid off early in 2008.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during the year ended December 31, 2008 consisted of the following:

	<u>Principal Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2008</u>	<u>Due in One Year</u>
Governmental Activities					
Long-Term Debt:					
Special Assessment Bonds:					
Waterline Improvement	\$ 32,414	\$ 0	\$ (2,593)	\$ 29,821	\$ 2,593
Unamortized Discount	(164)	30	0	(134)	0
Sewerline Improvement	92,586	0	(7,407)	85,179	7,407
Unamortized Discount	(468)	86	0	(382)	0
Total Special Assessment Bonds	<u>124,368</u>	<u>116</u>	<u>(10,000)</u>	<u>114,484</u>	<u>10,000</u>
John Deere Tractor Loan	0	19,061	(3,130)	15,931	15,931
2006 Ford Ranger Loan	11,173	0	(11,173)	0	0
Total loans	<u>11,173</u>	<u>19,061</u>	<u>(14,303)</u>	<u>15,931</u>	<u>15,931</u>
Total Governmental Activities Long-Term Debt	135,541	19,177	(24,303)	130,415	25,931
Other Long-Term Obligations:					
Compensated absences	684,035	35,075	(13,702)	705,408	49,007
Capital leases	459,913	0	(83,271)	376,642	87,298
Accrued pension liability	511,640	0	(10,114)	501,526	10,439
Total other long-term obligations	<u>1,655,588</u>	<u>35,075</u>	<u>(107,087)</u>	<u>1,583,576</u>	<u>146,744</u>
Total governmental activities long- term debt and other long- term obligations	<u>\$ 1,791,129</u>	<u>\$ 54,252</u>	<u>\$ (131,390)</u>	<u>\$ 1,713,991</u>	<u>\$ 172,675</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

	<u>Principal Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2008</u>	<u>Due in One Year</u>
Business-Type Activities					
Long-Term Debt:					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 1,773,000	\$ 0	\$ (193,000)	\$ 1,580,000	\$ 199,000
OWDA Loans:					
Water Pollution Improvement	1,106,486	0	(350,746)	755,740	368,503
Water Pollution Improvement	2,412,399	0	(188,622)	2,223,777	196,319
Digester and Sewer Lining	505,949	0	(59,899)	446,050	88,882
Total OWDA Loans	<u>4,024,834</u>	<u>0</u>	<u>(599,267)</u>	<u>3,425,567</u>	<u>653,704</u>
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	129,120	0	(9,223)	119,897	9,223
Total Business-Type Activities Long-Term Debt	5,926,954	0	(801,490)	5,125,464	861,927
Other Long-Term Obligations:					
Compensated absences	147,098	27,908	(21,574)	153,432	12,042
Capital leases	54,372	0	(17,213)	37,159	18,108
Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations	<u>\$ 6,128,424</u>	<u>\$ 27,908</u>	<u>\$ (840,277)</u>	<u>\$ 5,316,055</u>	<u>\$ 892,077</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2008, \$115,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The special assessment debt is being paid from the bond retirement fund.

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2008 was \$840,015 in principal and interest payments through the year 2035. Only the principal amount of \$501,526 is included in the Governmental Activities as a long-term liability. Payments are made from property tax received into the police and fire pension special revenue funds.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

The tractor loan will be repaid with revenues from charges for services in the park fund. Governmental capital leases are paid from revenues of the general fund and taxes from the street fund. The mortgage revenue bonds, the Ohio Public Works Commission (OPWC) loan, the Ohio Water Development Authority (OWDA) loans and the business-type capital leases will be paid from charges for services from the water and sewer funds. Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid.

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

Years	Accrued Pension Liability		Special Assessment Bonds		2008 John Deere Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 10,439	\$ 21,204	\$ 10,000	\$ 7,250	\$ 15,931	\$ 256
2010	11,002	20,751	10,000	6,670	0	0
2011	11,474	20,278	10,000	6,090	0	0
2012	11,967	19,785	10,000	5,510	0	0
2013	12,481	19,271	15,000	4,930	0	0
2014-2018	70,923	87,840	60,000	13,050	0	0
2.02E+08	87,520	71,243	0	0	0	0
2024-2028	108,002	50,762	0	0	0	0
2029-2033	133,276	25,488	0	0	0	0
2034-2035	44,442	1,867	0	0	0	0
Totals	<u>\$ 501,526</u>	<u>\$ 338,489</u>	<u>\$ 115,000</u>	<u>\$ 43,500</u>	<u>\$ 15,931</u>	<u>\$ 256</u>

Years	Total	
	Principal	Interest
2008	\$ 36,370	\$ 28,710
2009	21,002	27,421
2010	21,474	26,368
2011	21,967	25,295
2012	27,481	24,201
2013-2017	130,923	100,890
2018-2022	87,520	71,243
2023-2027	108,002	50,762
2028-2032	133,276	25,488
2033-2035	44,442	1,867
Totals	<u>\$ 632,457</u>	<u>\$ 382,245</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

Years	Mortgage Revenue Bonds		OWDA Loans		OPWC Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2009	\$ 199,000	\$ 59,724	\$ 653,704	\$ 137,036	\$ 9,223	\$ 861,927	\$ 196,760
2010	211,000	52,202	683,587	107,153	9,223	903,810	159,355
2011	217,000	44,226	307,938	81,062	9,223	534,161	125,288
2012	223,000	36,024	319,979	69,020	9,223	552,202	105,044
2013	233,000	27,594	301,628	56,505	9,223	543,851	84,099
2014-2018	497,000	28,350	1,158,731	120,151	46,114	1,701,845	148,501
2019-2022	0	0	0	0	27,668	27,668	0
Totals	<u>\$ 1,580,000</u>	<u>\$ 248,120</u>	<u>\$ 3,425,567</u>	<u>\$ 570,927</u>	<u>\$ 119,897</u>	<u>\$ 5,125,464</u>	<u>\$ 819,047</u>

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008:

		Governmental Activities Capital Leases	Business-Type Capital Leases
Year Ending December 31:	2009	\$ 105,373	\$ 20,040
	2010	105,372	20,041
	2011	80,537	0
	2012	80,538	0
	2013	54,626	0
Minimum lease payments		426,446	40,081
Less: amount representing interest at the City's incremental borrowing rate of interest		(49,804)	(2,922)
Present value of minimum lease payments		<u>\$ 376,642</u>	<u>\$ 37,159</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

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 \$92,679. The claims liability of \$7,751 reported in the Self-Insurance Fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal 2007 and 2008 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims Expense</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2008	\$ 12,848	\$ 76,374	\$ 81,471	\$ 7,751
2007	\$ 4,636	\$ 74,474	\$ 66,262	\$ 12,848

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 2006, 2007 and 2008.

Casualty Insurance

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2008

NOTE 16: INSURANCE AND RISK MANAGEMENT (Continued)

Property Insurance

On January 1, 2005, APEEP established a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate stop-loss limit for 2007 and 2006 was \$2,014,547 \$1,901,127 respectively.

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

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, 2007 and 2006 (the latest information available):

<u>Casualty Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$ 37,560,071	\$ 36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained Earnings	<u>\$ 20,219,246</u>	<u>\$ 19,384,290</u>

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

NOTE 17: JOINTLY GOVERNED ORGANIZATION

The City is associated with the Southeastern Ohio Narcotics Task Force (S.E.N.T.). S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 32 board members, the City appoints two. Each member's control over the operation of S.E.N.T. is limited to its representation on the board. In 2008 the City contributed \$851 to S.E.N.T., which represents 5 percent 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, 2008, there were three series of Revenue Bonds outstanding, with a principal amount payable of \$17,335,000.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2008

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2008.

NOTE 20: SUBSEQUENT EVENT

The City Council authorized in June 2009 the issuance of \$3.8 million of debt to be used in the construction of a new municipal court.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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New Philadelphia, OH 44663-5120

June 19, 2009

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

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

We have audited the financial statements of the City of Cambridge (the "City") as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters that we have reported to management of the County in a separate letter dated June 19, 2009.

Mayor and Members of Council
City of Cambridge
June 19, 2009
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 19, 2009.

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

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

Hea & Associates, Inc.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 19, 2009

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

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

Compliance

We have audited the compliance of the City of Cambridge (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 are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 of Cambridge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of the City 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

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

Hea & Associates, Inc.

**City of Cambridge
Guernsey County**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Justice</u>			
<i>Passed through Ohio Attorney General's Office</i>			
Crime Victim Assistance	2008-VA-GENE-029	16.575	\$ 15,805
	2008-VA-GENE-029	16.575	728
			<u>16,533</u>
<i>Passed through Office of Criminal Justice Services</i>			
Byrne Formula Grant Program	2000-DG-A0V-6283A	16.579	4
	2007-JG-A01-6283	16.579	49,081
			<u>49,085</u>
Byrne Formula Grant Program	2006-JG-A01-6283	16.738	4,631
Total U.S. Department of Justice			<u>70,249</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID 80220	20.205	<u>653,325</u>
Total U.S. Department of Transportation			<u>653,325</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State Program	A-C-06-100-1	14.228	38,619
Small Cities Program	A-F-06-100-1	14.228	36,300
CDBG Formula Grant	A-F-07-100-1	14.228	69,000
CDBG Formula Grant			<u>143,919</u>
HOME Investment Partnerships Program	A-C-06-100-2	14.239	<u>100,739</u>
Total U.S. Department of Housing and Urban Development			<u>244,658</u>
			<u>\$ 968,232</u>
Total Expenditures of Federal Awards			

The accompanying notes are an integral part of this schedule.

CITY OF CAMBRIDGE, OHIO

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2008**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Cambridge and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: LOANS OUTSTANDING

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

These loans are collateralized by equipment and mortgages.

Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivables balance as of January 1, 2008	\$ 173,258
Loans Made	0
Loan principal repaid on loans issued prior to 2008	(11,537)
Loan principal repaid on 2008 loans issued	<u>0</u>
Ending loans receivable balances as of December 31, 2008	<u>\$ 161,721</u>
Cash balance on hand in the revolving loan fund as of December 31, 2008	<u>\$ 148,402</u>
Total value of revolving loan fund portion of the CDBG 14.228 program	\$ 309,673
Other grants administered through the 14.228 program	<u>143,919</u>
Total CDBG 14.228 program	<u>\$ 453,592</u>

NOTE 3: MATCHING REQUIREMENTS

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

**CITY OF CAMBRIDGE
GUERNSEY COUNTY, OHIO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(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 internal control deficiencies 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 internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Highway Planning and Construction CFDA #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

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

MATERIAL NON-COMPLIANCE

FINDING NUMBER	2008-001
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Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

As of December 31, 2008, expenditures plus encumbrances exceeded appropriations in the Street Improvement Fund by \$812,063, which was caused by OPWC and ODOT direct pay transactions reported but not budgeted.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008
(CONTINUED)**

City's Response

The City Auditor and Engineer are meeting on a regular basis to identify OPWC and ODOT project transactions that require posting and budgetary authorization.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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NONE	
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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	The City is not reporting “on-behalf-of” payments in their books.	Partially Corrected	We will issue this as a management letter comment for 2008.



Mary Taylor, CPA
Auditor of State

CITY OF CAMBRIDGE

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2009**