

City of Cambridge
Audited Financial Statements

December 31, 2009



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, 2009 through December 31, 2009. 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

July 19, 2010

This Page is Intentionally Left Blank.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2009

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Management's Discussion and Analysis	2-9
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire Fund	17
Statement of Fund Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20-21
Statement of Fiduciary Net Assets – Fiduciary Fund	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	23
Notes to the Basic Financial Statements	24-56
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	57-58
Schedule of Findings	59
Schedule of Prior Audit Findings	60

This Page is Intentionally Left Blank.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 9, 2010

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, 2009, 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, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Fire Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 9, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2009

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, 2009. 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 2009 are as follows:

- General Revenues accounted for \$7,302,365 in revenue or 41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$10,483,018 or 59 percent of total revenues of \$17,785,383.
- Total program expenses were \$16,232,019, \$11,221,250 in governmental activities and \$5,010,769 in business-type activities.
- In total, net assets increased \$1,553,364. Net assets of governmental activities increased \$1,088,473. Net assets of business-type activities increased \$464,891.
- Outstanding bonded debt increased to \$8,930,415 in 2009 from \$5,757,406 in 2008 due to the issue of courthouse facilities improvement bonds.

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 2009 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, municipal court building 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, 2009

A question typically asked about the City's finances "How did we do financially during 2009?" 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, municipal court building 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, Municipal Court Construction 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, 2009

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 2009 compared to 2008:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and Other Assets	\$ 12,910,570	\$ 9,489,345	\$ 6,387,977	\$ 7,291,061	\$ 19,298,547	\$ 16,780,406
Capital Assets	18,811,901	17,011,914	17,371,849	16,841,812	36,183,750	33,853,726
<i>Total Assets</i>	31,722,471	26,501,259	23,759,826	24,132,873	55,482,297	50,634,132
Liabilities:						
Long-Term Liabilities	5,766,092	1,713,991	4,395,705	5,316,055	10,161,797	7,030,046
Other Liabilities	2,969,731	2,889,093	567,628	485,216	3,537,359	3,374,309
<i>Total Liabilities</i>	8,735,823	4,603,084	4,963,333	5,801,271	13,699,156	10,404,355
Net Assets:						
Invested In Capital Assets, Net of Debt	17,350,502	16,507,046	13,102,559	11,679,188	30,453,061	28,186,234
Restricted	3,870,982	3,816,988	0	0	3,870,982	3,816,988
Unrestricted	1,765,164	1,574,141	5,693,934	6,652,414	7,459,098	8,226,555
<i>Total Net Assets</i>	\$ 22,986,648	\$ 21,898,175	\$ 18,796,493	\$ 18,331,602	\$ 41,783,141	\$ 40,229,777

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2009

Total assets increased by \$4,848,165 with governmental assets increasing \$5,221,212 and business-type assets decreasing \$373,047. An increase of \$2,330,024 in total capital assets reflects additional purchases exceeding depreciation expense. See pages 7 and 8 for a more detailed analysis of the City's capital assets. The majority of the increase was in governmental assets. Total liabilities increased by \$3,294,801. This increase is due to the issuance of new debt in the governmental funds.

Total net assets increased by \$1,553,364. This number reflects an increase in both governmental activities and business-type activities.

Table 2 shows the changes in net assets for fiscal year 2009 and 2008.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,837,443	\$ 1,888,597	\$ 5,458,356	\$ 5,431,677	\$ 7,295,799	\$ 7,320,274
Operating Grants	2,122,184	1,528,282	0	9,893	2,122,184	1,538,175
Capital Grants	1,065,035	3,246,548	0	185,100	1,065,035	3,431,648
<i>General Revenue:</i>						
Property Taxes	1,575,969	1,527,806	0	0	1,575,969	1,527,806
Income Taxes	4,492,431	4,545,422	0	0	4,492,431	4,545,422
Grants and Entitlements	801,696	997,241	0	0	801,696	997,241
Unrestricted Contributions	0	0	0	0	0	0
Investments	250,320	376,308	5,015	5,604	255,335	381,912
Other	164,645	203,701	12,289	12,879	176,934	216,580
Total Revenues	12,309,723	14,313,905	5,475,660	5,645,153	17,785,383	19,959,058
Program Expenses						
General Government	2,704,359	3,036,533	0	0	2,704,359	3,036,533
Security of Persons and Property	4,256,949	4,427,178	0	0	4,256,949	4,427,178
Transportation	2,211,424	1,447,842	0	0	2,211,424	1,447,842
Public Health Services	274,971	263,021	0	0	274,971	263,021
Community and Economic Development	821,381	651,679	0	0	821,381	651,679
Leisure Time Services	850,959	849,410	0	0	850,959	849,410
Interest and Fiscal Charges	101,207	51,552	0	0	101,207	51,552
<i>Enterprise Operations:</i>						
Water	0	0	2,757,122	2,539,748	2,757,122	2,539,748
Sewer	0	0	2,253,647	2,063,533	2,253,647	2,063,533
Total Program Expenses	11,221,250	10,727,215	5,010,769	4,603,281	16,232,019	15,330,496
Increase in Net Assets	\$ 1,088,473	\$ 3,586,690	\$ 464,891	\$ 1,041,872	\$ 1,553,364	\$ 4,628,562

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2009

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 sources of revenues very closely for fluctuations.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$4,256,949 represents 38 percent of the total governmental activities expenses. The police department operates out of the General fund and the fire department operates out of the Fire fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$2,211,424, or 20 percent of total governmental activities expenses, during 2009.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,125,930 in 2009 equaling 10 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 2009, charges for services of \$5,458,356 accounted for 99.7 percent of the business type revenues. The total expenses for the utilities were \$5,010,769, thus leaving an increase in net assets of \$464,891 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 \$15,753,639 and expenditures and other financing uses of \$13,405,796. The resulting net change in fund balance from 2008 to 2009 was an increase of \$2,347,843. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 18. These funds are accounted for on an accrual basis. All enterprise funds had operating revenues of \$5,470,645, which exceeded operating expenses of \$4,829,656 by \$640,989 or 11.7 percent of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in the enterprise funds.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2009

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 2009, 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 \$5,527,711, representing an increase of \$96,798 over the original budget estimate of \$5,430,913. Most of this difference was attributable to an increase in final budget amounts for other revenues.

Final appropriations of \$5,516,654 (excluding other financing uses) were \$110,767 lower than the \$5,627,421(excluding other financing uses) in the original budget and \$198,247 higher than the actual expenditures of \$5,318,407(excluding other financing uses).

Capital Assets and Debt Administration

Capital Assets

At the end of year 2009, the City had \$36,183,750 invested in land, infrastructure, buildings, improvements, equipment, furniture, water and sewer lines, vehicles and construction in progress. A total of \$18,811,901 of this was for governmental activities and \$17,371,849 being attributable to business-type activities. Table 3 shows fiscal year 2009 balances compared with 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,238,725	\$ 1,968,755	\$ 201,041	\$ 201,041	\$ 2,439,766	\$ 2,169,796
Infrastructure	10,482,133	9,856,293	0	0	10,482,133	9,856,293
Land Improvements	62,812	68,614	0	0	62,812	68,614
Buildings	2,213,097	1,847,864	4,798,682	5,154,960	7,011,779	7,002,824
Improvements Other Than Buildings	712,827	780,855	6,433,127	6,580,633	7,145,954	7,361,488
Equipment and Machinery	945,391	1,044,065	504,153	514,033	1,449,544	1,558,098
Furniture and Equipment	11,504	14,979	0	0	11,504	14,979
Vehicles	144,588	178,001	87,588	116,136	232,176	294,137
Water Lines	0	0	2,003,937	1,806,856	2,003,937	1,806,856
Sewer Lines	0	0	2,349,017	2,409,630	2,349,017	2,409,630
Construction in Progress	2,000,824	1,252,488	994,304	58,523	2,995,128	1,311,011
Totals	\$ 18,811,901	\$ 17,011,914	\$ 17,371,849	\$ 16,841,812	\$ 36,183,750	\$ 33,853,726

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2009

The \$2,330,024 increase in capital assets was primarily attributable to additions to the infrastructure of the City and construction in progress. The City has the municipal building project which makes up the majority of governmental activities construction in process at the end of 2009. 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 2009 year. The City capitalized general infrastructure for governmental activities.

Debt

The outstanding debt for the City of Cambridge as of December 31, 2009 was \$8,930,415. This balance reflected an increase of \$3,173,010 from the previous year's balance of \$5,757,405, an increase of 55 percent. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 1,381,000	\$ 1,580,000	\$ 1,381,000	\$ 1,580,000
Special Assessment Bonds	0	114,484	0	0	0	114,484
OWDA Loans	0	0	2,777,616	3,425,567	2,777,616	3,425,567
OPWC Loans	0	0	110,674	119,897	110,674	119,897
General Obligation Bonds	4,170,148	0	0	0	4,170,148	0
Police and Fire Pension	490,977	501,526	0	0	490,977	501,526
John Deere Tractor	0	15,931	0	0	0	15,931
<i>Total</i>	<u>\$ 4,661,125</u>	<u>\$ 631,941</u>	<u>\$ 4,269,290</u>	<u>\$ 5,125,464</u>	<u>\$ 8,930,415</u>	<u>\$ 5,757,405</u>

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

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 2009 with construction scheduled to be completed in 2010. The City will have a waterline project bid that serves the hospital and downtown. There is a sewer lining and rehabilitation project underway that will serve the east and west ends of town. The sewer plant is getting a new piece of equipment to manage the sludge. The street improvements will include the reconstruction of Garfield Ave and some resurfacing to be bid as one project in August 2010. A unique project is the EECBG project that is funded by ARRA. This will impact several of the City's buildings with more energy efficient lighting, controls and HVAC systems. 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, 2009

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, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 6,885,114	\$ 4,816,715	\$ 11,701,829
Cash and Cash Equivalents in Segregated Accounts	418,731	0	418,731
Taxes Receivable	3,303,158	0	3,303,158
Accounts Receivable	128,620	1,305,351	1,433,971
Intergovernmental Receivable	1,850,171	0	1,850,171
Loans Receivable	93,957	0	93,957
Special Assessments Receivable	84,230	0	84,230
Internal Balances	(62,359)	62,359	0
Materials and Supplies Inventory	29,870	20,295	50,165
Prepaid Items	10,048	11,961	22,009
Deferred Charges	169,030	0	169,030
Restricted Assets:			
Cash and Cash Equivalents	0	171,296	171,296
Non-Depreciable Capital Assets	4,239,549	1,195,345	5,434,894
Depreciable Capital Assets, Net	14,572,352	16,176,504	30,748,856
<i>Total Assets</i>	<u>31,722,471</u>	<u>23,759,826</u>	<u>55,482,297</u>
Liabilities			
Accounts Payable	63,322	85,003	148,325
Accrued Wages	175,480	83,853	259,333
Contracts Payable	513,662	56,711	570,373
Intergovernmental Payable	221,732	34,065	255,797
Matured Compensated Absences	9,690	39,895	49,585
Accrued Vacation Leave Payable	182,707	74,761	257,468
Retainage Payable	59,724	17,694	77,418
Accrued Interest Payable	48,967	4,350	53,317
Customer Deposits Payable	0	171,296	171,296
Claims Payable	8,244	0	8,244
Deferred Revenue	1,686,203	0	1,686,203
Long-Term Liabilities:			
Due Within One Year	218,141	904,621	1,122,762
Due in More Than One Year	5,547,951	3,491,084	9,039,035
<i>Total Liabilities</i>	<u>8,735,823</u>	<u>4,963,333</u>	<u>13,699,156</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,350,502	13,102,559	30,453,061
Restricted for Capital Outlay	315,955	0	315,955
Restricted for Other Purposes	3,555,027	0	3,555,027
Unrestricted	1,765,164	5,693,934	7,459,098
<i>Total Net Assets</i>	<u>\$ 22,986,648</u>	<u>\$ 18,796,493</u>	<u>\$ 41,783,141</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, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,704,359	\$ 974,323	\$ 28,274	\$ 0	\$ (1,701,762)	\$ 0	\$ (1,701,762)
Security of Persons and Property	4,256,949	444,406	514,020	0	(3,298,523)	0	(3,298,523)
Public Health	274,971	155,222	2,500	0	(117,249)	0	(117,249)
Leisure Time Services	850,959	232,345	17,100	697,890	96,376	0	96,376
Community and Economic Development	821,381	31,147	1,099,000	0	308,766	0	308,766
Transportation	2,211,424	0	461,290	367,145	(1,382,989)	0	(1,382,989)
Interest and Fiscal Charges	101,207	0	0	0	(101,207)	0	(101,207)
<i>Total Governmental Activities</i>	<u>11,221,250</u>	<u>1,837,443</u>	<u>2,122,184</u>	<u>1,065,035</u>	<u>(6,196,588)</u>	<u>0</u>	<u>(6,196,588)</u>
Business-Type Activities:							
Sewer Fund	2,253,647	2,746,555	0	0	0	492,908	492,908
Water Fund	2,757,122	2,711,801	0	0	0	(45,321)	(45,321)
<i>Total Business-Type Activities</i>	<u>5,010,769</u>	<u>5,458,356</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>447,587</u>	<u>447,587</u>
<i>Total - Primary Government</i>	<u>\$ 16,232,019</u>	<u>\$ 7,295,799</u>	<u>\$ 2,122,184</u>	<u>\$ 1,065,035</u>	<u>(6,196,588)</u>	<u>447,587</u>	<u>(5,749,001)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					322,911	0	322,911
Police and Fire Services					1,253,058	0	1,253,058
Income Taxes Levied for:							
General Purposes					3,144,719	0	3,144,719
Other Purposes					1,347,712	0	1,347,712
Grants and Entitlements not Restricted to Specific Programs					801,696	0	801,696
Investment Earnings					250,320	5,015	255,335
Miscellaneous					164,645	12,289	176,934
<i>Total General Revenues</i>					<u>7,285,061</u>	<u>17,304</u>	<u>7,302,365</u>
<i>Change in Net Assets</i>					1,088,473	464,891	1,553,364
<i>Net Assets, Beginning of Year</i>					21,898,175	18,331,602	40,229,777
<i>Net Assets, End of Year</i>					<u>\$ 22,986,648</u>	<u>\$ 18,796,493</u>	<u>\$ 41,783,141</u>

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

City of Cambridge
Balance Sheet
Governmental Funds
December 31, 2009

	General	Fire	Municipal Court Building Project	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 353,399	\$ 75,438	\$ 3,406,067	\$ 3,050,210	\$ 6,885,114
Cash and Cash Equivalents in Segregated Accounts	0	0	0	337,251	337,251
Taxes Receivable	1,308,703	1,510,311	0	484,144	3,303,158
Accounts Receivable	99,454	0	0	29,166	128,620
Intergovernmental Receivable	287,833	99,422	0	1,462,916	1,850,171
Loans Receivable	0	0	0	93,957	93,957
Special Assessments Receivable	0	0	0	84,230	84,230
Materials and Supplies Inventory	0	0	0	29,870	29,870
Prepaid Items	6,137	843	0	3,068	10,048
<i>Total Assets</i>	<u>\$ 2,055,526</u>	<u>\$ 1,686,014</u>	<u>\$ 3,406,067</u>	<u>\$ 5,574,812</u>	<u>\$ 12,722,419</u>
Liabilities					
Accounts Payable	33,480	3,009	0	26,833	63,322
Accrued Wages	101,132	42,974	0	31,374	175,480
Contracts Payable	0	0	513,662	0	513,662
Intergovernmental Payable	116,306	91,386	0	14,040	221,732
Matured Compensated Absences	0	0	0	9,690	9,690
Retainage Payable	0	0	59,724	0	59,724
Advances from Other Funds	0	0	0	45,802	45,802
Deferred Revenue	792,401	1,607,081	0	1,574,587	3,974,069
<i>Total Liabilities</i>	<u>1,043,319</u>	<u>1,744,450</u>	<u>573,386</u>	<u>1,702,326</u>	<u>5,063,481</u>
Fund Balances					
Reserved for Encumbrances	9,777	2,050	2,720,435	61,062	2,793,324
Reserved for Loans Receivable	0	0	0	93,957	93,957
Unreserved, Undesignated, Reported in:					
General Fund	1,002,430	0	0	0	1,002,430
Special Revenue Funds	0	(60,486)	0	3,461,932	3,401,446
Debt Service Funds	0	0	0	(45,802)	(45,802)
Capital Projects Funds	0	0	112,246	301,337	413,583
<i>Total Fund Balances</i>	<u>1,012,207</u>	<u>(58,436)</u>	<u>2,832,681</u>	<u>3,872,486</u>	<u>7,658,938</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,055,526</u>	<u>\$ 1,686,014</u>	<u>\$ 3,406,067</u>	<u>\$ 5,574,812</u>	<u>\$ 12,722,419</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, 2009*

Total Governmental Fund Balances \$ 7,658,938

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 18,811,901

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$	356,468	
Income Tax		246,596	
Intergovernmental Charges for Services		1,600,572	
Total		84,230	2,287,866

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. 56,679

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (48,967)

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. 169,030

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		(3,980,000)	
Capital Appreciation Bonds		(19,656)	
Bond Accretion		(1,462)	
Unamortized Bond Premium		(169,030)	
Accrued Vacation Payable		(182,707)	
Capital Leases		(289,344)	
Police and Fire Pension		(490,977)	
Compensated Absences		(815,623)	
Total			(5,948,799)

Net Assets of Governmental Activities \$ 22,986,648

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, 2009

	General	Fire	Municipal Court Building Project	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 302,456	\$ 1,092,435	\$ 0	\$ 78,818	\$ 1,473,709
Income Taxes	3,148,368	0	0	1,349,255	4,497,623
Special Assessments	0	0	0	13,206	13,206
Charges for Services	0	172,652	0	376,067	548,719
Licenses and Permits	135,890	0	0	0	135,890
Fines and Forfeitures	653,678	0	0	411,289	1,064,967
Intergovernmental	884,463	381,578	0	1,388,775	2,654,816
Interest	250,320	0	0	71,886	322,206
Rent	17,655	0	0	0	17,655
Contributions and Donations	7,500	0	0	17,300	24,800
Other	71,079	3,312	5,078	85,176	164,645
<i>Total Revenues</i>	<u>5,471,409</u>	<u>1,649,977</u>	<u>5,078</u>	<u>3,791,772</u>	<u>10,918,236</u>
Expenditures					
Current:					
General Government	2,368,929	0	0	326,068	2,694,997
Security of Persons and Property	2,067,281	1,491,503	0	643,831	4,202,615
Public Health	0	0	0	252,226	252,226
Leisure Time Services	508,707	0	0	206,229	714,936
Community and Economic Development	181,440	0	0	631,379	812,819
Transportation	0	0	0	1,580,101	1,580,101
Capital Outlay	0	0	1,172,053	862,895	2,034,948
Debt Service:					
Principal Retirements	22,559	43,502	0	162,717	228,778
Interest and Fiscal Charges	2,276	11,125	0	35,228	48,629
Issuance Costs	0	0	169,030	0	169,030
<i>Total Expenditures</i>	<u>5,151,192</u>	<u>1,546,130</u>	<u>1,341,083</u>	<u>4,700,674</u>	<u>12,739,079</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>320,217</u>	<u>103,847</u>	<u>(1,336,005)</u>	<u>(908,902)</u>	<u>(1,820,843)</u>
Other Financing Sources and (Uses)					
Transfers In	0	0	0	666,717	666,717
General Obligation Bonds Issued	0	0	3,999,656	0	3,999,656
Premium on Debt Issued	0	0	169,030	0	169,030
Transfers Out	(432,853)	(233,864)	0	0	(666,717)
<i>Total Other Financing Sources and (Uses)</i>	<u>(432,853)</u>	<u>(233,864)</u>	<u>4,168,686</u>	<u>666,717</u>	<u>4,168,686</u>
<i>Net Change in Fund Balance</i>	(112,636)	(130,017)	2,832,681	(242,185)	2,347,843
<i>Fund Balance, Beginning of Year</i>	<u>1,124,843</u>	<u>71,581</u>	<u>0</u>	<u>4,114,671</u>	<u>5,311,095</u>
<i>Fund Balance, End of Year</i>	<u>\$ 1,012,207</u>	<u>\$ (58,436)</u>	<u>\$ 2,832,681</u>	<u>\$ 3,872,486</u>	<u>\$ 7,658,938</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, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$	2,347,843
---	----	-----------

*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	\$ 2,732,838	
Current Year Depreciation	<u>(913,195)</u>	1,819,643

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.

(19,656)

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

Delinquent Property Taxes	102,260	
Income Tax	(5,193)	
Intergovernmental	603,855	
Charges for Services	<u>(7,325)</u>	693,597

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

(48,411)

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	(2,189)	
Bond Discount	<u>(516)</u>	(2,705)

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	10,549	
Accretion on Capital Appreciation Bonds	(1,462)	
Installment Loan	15,931	
Special Assessment Bonds	115,000	
Capital Leases	<u>87,298</u>	227,316

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

(3,999,656)

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	127,937	
Compensated Absences	<u>(110,215)</u>	17,722

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.

52,780

Change in Net Assets of Governmental Activities

\$ 1,088,473

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 288,635	\$ 288,635	\$ 302,456	\$ 13,821
Income Taxes	3,090,000	3,090,000	3,141,710	51,710
Licenses and Permits	140,500	140,500	136,202	(4,298)
Fines and Forfeitures	701,100	701,100	640,633	(60,467)
Intergovernmental	847,492	847,492	908,333	60,841
Interest	300,000	300,000	272,380	(27,620)
Rent	20,000	20,000	15,135	(4,865)
Contributions and Donations	0	0	13,500	13,500
Other	43,186	139,984	71,079	(68,905)
<i>Total Revenues</i>	<u>5,430,913</u>	<u>5,527,711</u>	<u>5,501,428</u>	<u>(26,283)</u>
Expenditures				
Current:				
General Government	2,422,165	2,485,205	2,460,195	25,010
Security of Persons and Property	2,477,158	2,275,468	2,121,480	153,988
Leisure Time Services	538,150	541,198	523,241	17,957
Community and Economic Development	189,948	189,948	188,656	1,292
Debt Service:				
Principal Retirements	0	22,559	22,559	0
Interest and Fiscal Charges	0	2,276	2,276	0
<i>Total Expenditures</i>	<u>5,627,421</u>	<u>5,516,654</u>	<u>5,318,407</u>	<u>198,247</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(196,508)</u>	<u>11,057</u>	<u>183,021</u>	<u>171,964</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>(279,000)</u>	<u>(449,375)</u>	<u>(432,853)</u>	<u>16,522</u>
<i>Net Change in Fund Balance</i>	(475,508)	(438,318)	(249,832)	188,486
<i>Fund Balance, Beginning of Year</i>	538,539	538,539	538,539	0
Prior Year Encumbrances Appropriated	<u>36,817</u>	<u>36,817</u>	<u>36,817</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 99,848</u>	<u>\$ 137,038</u>	<u>\$ 325,524</u>	<u>\$ 188,486</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$ 1,348,302	\$ 1,348,302	\$ 1,092,435	\$ (255,867)
Charges for Services	172,389	172,389	172,652	263
Intergovernmental	120,000	123,354	384,932	261,578
Rent	500	500	0	(500)
Other	20,300	18,686	3,312	(15,374)
<i>Total Revenues</i>	<u>1,661,491</u>	<u>1,663,231</u>	<u>1,653,331</u>	<u>(9,900)</u>
Expenditures				
Current:				
Security of Persons and Property	1,651,486	1,589,274	1,544,764	44,510
Debt Service:				
Principal Retirements	0	43,502	43,502	0
Interest and Fiscal Charges	0	11,125	11,125	0
<i>Total Expenditures</i>	<u>1,651,486</u>	<u>1,643,901</u>	<u>1,599,391</u>	<u>44,510</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>10,005</u>	<u>19,330</u>	<u>53,940</u>	<u>34,610</u>
Other Financing Sources and (Uses)				
Transfers Out	<u>(208,539)</u>	<u>(233,864)</u>	<u>(233,864)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(198,534)	(214,534)	(179,924)	34,610
<i>Fund Balance, Beginning of Year</i>	241,393	241,393	241,393	0
Prior Year Encumbrances Appropriated	<u>9,534</u>	<u>9,534</u>	<u>9,534</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$ 52,393</u>	<u>\$ 36,393</u>	<u>\$ 71,003</u>	<u>\$ 34,610</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, 2009

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,562,495	\$ 2,254,220	\$ 4,816,715	\$ 0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	81,480
Accounts Receivable	690,939	614,412	1,305,351	0
Materials and Supplies Inventory	0	20,295	20,295	0
Prepaid Items	3,682	8,279	11,961	0
<i>Total Current Assets</i>	<u>3,257,116</u>	<u>2,897,206</u>	<u>6,154,322</u>	<u>81,480</u>
<i>Non-Current Assets:</i>				
Restricted Cash and Cash Equivalents	0	171,296	171,296	0
Advances to Other Funds	22,901	22,901	45,802	0
Non-Depreciable Capital Assets	986,816	208,529	1,195,345	0
Depreciable Capital Assets, Net	8,773,287	7,403,217	16,176,504	0
<i>Total Non-Current Assets</i>	<u>9,783,004</u>	<u>7,805,943</u>	<u>17,588,947</u>	<u>0</u>
<i>Total Assets</i>	<u>13,040,120</u>	<u>10,703,149</u>	<u>23,743,269</u>	<u>81,480</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	55,676	29,327	85,003	0
Accrued Wages	22,083	61,770	83,853	0
Contracts Payable	56,711	0	56,711	0
Intergovernmental Payable	12,691	21,374	34,065	0
Matured Compensated Absences	0	39,895	39,895	0
Accrued Vacation Leave Payable	36,704	38,057	74,761	0
Retainage Payable	17,694	0	17,694	0
Accrued Interest Payable	0	4,350	4,350	0
Customer Deposits Payable	0	171,296	171,296	0
Claims Payable	0	0	0	8,244
Compensated Absences Payable	4,044	2,724	6,768	0
Revenue Bonds Payable	0	211,000	211,000	0
OPWC Loan Payable	0	9,222	9,222	0
OWDA Loans Payable	473,301	204,330	677,631	0
<i>Total Current Liabilities</i>	<u>678,904</u>	<u>793,345</u>	<u>1,472,249</u>	<u>8,244</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	56,776	62,871	119,647	0
Revenue Bonds Payable - Net of Current Portion	0	1,170,000	1,170,000	0
OPWC Loan Payable - Net of Current Portion	0	101,452	101,452	0
OWDA Loans Payable - Net of Current Portion	276,857	1,823,128	2,099,985	0
<i>Total Long-Term Liabilities</i>	<u>333,633</u>	<u>3,157,451</u>	<u>3,491,084</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,012,537</u>	<u>3,950,796</u>	<u>4,963,333</u>	<u>8,244</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,009,947	4,092,612	13,102,559	0
Unrestricted	3,017,636	2,659,741	5,677,377	73,236
<i>Total Net Assets</i>	<u>\$ 12,027,583</u>	<u>\$ 6,752,353</u>	<u>18,779,936</u>	<u>\$ 73,236</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

16,557

\$ 18,796,493

City of Cambridge
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Operating Revenues				
Charges for Services	\$ 2,746,555	\$ 2,711,801	\$ 5,458,356	\$ 244,215
Other	8,385	3,904	12,289	0
<i>Total Operating Revenues</i>	<u>2,754,940</u>	<u>2,715,705</u>	<u>5,470,645</u>	<u>244,215</u>
Operating Expenses				
Personal Services	931,600	1,142,141	2,073,741	0
Contractual Services	506,271	362,875	869,146	10,117
Materials and Supplies	446,962	679,397	1,126,359	0
Claims	0	0	0	165,013
Depreciation	327,685	432,186	759,871	0
Other	539	0	539	0
<i>Total Operating Expenses</i>	<u>2,213,057</u>	<u>2,616,599</u>	<u>4,829,656</u>	<u>175,130</u>
<i>Operating Income</i>	<u>541,883</u>	<u>99,106</u>	<u>640,989</u>	<u>69,085</u>
Non-Operating Revenues (Expenses)				
Interest	5,015	0	5,015	222
Interest and Fiscal Charges	(48,876)	(148,764)	(197,640)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(43,861)</u>	<u>(148,764)</u>	<u>(192,625)</u>	<u>222</u>
<i>Change in Net Assets</i>	498,022	(49,658)	448,364	69,307
<i>Net Assets, Beginning of Year</i>	<u>11,529,561</u>	<u>6,802,011</u>		<u>3,929</u>
<i>Net Assets, End of Year</i>	<u>\$ 12,027,583</u>	<u>\$ 6,752,353</u>		<u>\$ 73,236</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>16,527</u>	
Changes in Net Assets of Business-Type Activities			<u>\$ 464,891</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, 2009

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,692,732	\$ 2,743,351	\$ 5,436,083	\$ 244,215
Other Operating Receipts	8,435	3,904	12,339	0
Cash Payments to Suppliers for Goods and Services	(431,330)	(1,113,409)	(1,544,739)	0
Cash Payments to Employees	(965,578)	(390,145)	(1,355,723)	0
Cash Payments for Contractual Services	(513,122)	(671,791)	(1,184,913)	(10,117)
Claims Paid	0	0	0	(164,520)
<i>Net Cash Provided by Operating Activities</i>	791,137	571,910	1,363,047	69,578
Cash Flows from Noncapital Financing Activities				
Intergovernmental Receipts	3,906	5,987	9,893	0
Advances Out	(22,901)	(22,901)	(45,802)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	(18,995)	(16,914)	(35,909)	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(934,042)	(281,461)	(1,215,503)	0
Principal Payments on Capital Leases	(17,790)	(19,369)	(37,159)	0
Principal Payments on Debt	(451,632)	(404,542)	(856,174)	0
Interest Payments	(48,876)	(149,391)	(198,267)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(1,452,340)	(854,763)	(2,307,103)	0
Cash Flows from Investing Activities				
Interest	5,015	0	5,015	222
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(675,183)	(299,767)	(974,950)	69,800
<i>Cash and Cash Equivalents, Beginning of Year</i>	3,237,678	2,725,283	5,962,961	11,680
<i>Cash and Cash Equivalents, End of Year</i>	\$ 2,562,495	\$ 2,425,516	\$ 4,988,011	\$ 81,480

(Continued)

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 541,883	\$ 99,106	\$ 640,989	\$ 69,085
Adjustments:				
Depreciation	327,685	432,186	759,871	0
Loss on Disposal of Capital Assets	0	0	0	0
(Increase) Decrease in Assets:				
Accounts Receivable	(53,234)	31,234	(22,000)	0
Prepaid Items	(350)	572	222	0
Materials and Supplies Inventory	0	2,348	2,348	0
Increase (Decrease) in Liabilities:				
Accounts Payable	9,131	(19,652)	(10,521)	0
Customer Deposits Payable	0	(2,616)	(2,616)	0
Matured Compensated Absences	0	39,895	39,895	0
Accrued Wages	(23,460)	22,017	(1,443)	0
Accrued Vacation Payable	(1,037)	(4,250)	(5,287)	0
Compensated Absences Payable	(658)	(26,359)	(27,017)	0
Claims Payable	0	0	0	493
Intergovernmental Payable	(8,823)	(2,571)	(11,394)	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<i>\$ 791,137</i>	<i>\$ 571,910</i>	<i>\$ 1,363,047</i>	<i>\$ 69,578</i>

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

City of Cambridge
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

	Private Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 50,521	\$ 211,262
Accounts Receivable	0	4,386
<i>Total Assets</i>	50,521	\$ 215,648
Liabilities		
Due to Others	0	\$ 215,648
Net Assets		
Held in Trust for Private Purposes	\$ 50,521	

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, 2009

	Private Purpose Trust
Additions	
Interest	\$ 20
Deductions	
Payments in Accordance with Trust Agreements	108
<i>Change in Net Assets</i>	(88)
<i>Net Assets, Beginning of Year</i>	50,609
<i>Net Assets, End of Year</i>	\$ 50,521

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 1 – REPORTING ENTITY

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

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

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

Related Organizations

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

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

Guernsey County Airport Authority – The Guernsey County Airport Authority was created to provide for the orderly development of aviation facilities in the region. The Authority is governed by a five member board of trustees. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Guernsey County Board of Commissioners. Subsequent appointments are made by the City in each even numbered year and the County in each odd numbered year. The City provided 38 percent of the funds received by the Authority in 2009; however, the City is not financially accountable for the Authority.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 1 – REPORTING ENTITY (Continued)

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 FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Municipal Court Building Capital Projects Fund. The Municipal Court Building fund is used to account for financial resources for the new municipal court building project.

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

D. Basis of Accounting

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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 2009, 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 2009 amounted to \$250,320, which includes \$241,087 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, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

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

J. Interfund Balances

On fund financial statements, long-term interfund loans reported as “advances to/from other funds,” are equally offset by a fund balance reserve account which indicate that they do not constitute “available expendable financial resources” even though it is a component of net current assets. Repayment is expected to be made within a reasonable time. These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances.”

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2009, \$161,589 of the City's net assets were restricted by enabling legislation.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2009.

R. Estimates

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgetary Data

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

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

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

T. Implementation of New Accounting Policies

For the year ended December 31, 2009, the City has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*," GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*."

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of these GASB Statements did not affect the presentation of the financial statements of the City.

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 major special revenue fund.

Net Change in Fund Balance

	General	Fire	
GAAP Basis	\$ (112,636)	\$ (130,017)	
Revenue accruals	30,019	3,354	
Expenditure accruals	(139,340)	(48,826)	
Encumbrances	(27,875)	(4,435)	
Budget Basis	\$ (249,832)	\$ (179,924)	

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 4: ACCOUNTABILITY

The following funds had deficit balances as of December 31, 2009:

	Deficit
Major fund:	
Fire	\$ 58,436
Non-major Governmental Funds:	
Cemetery	130
Community & Economic Development Grant	2,700
VOCA 2009 Grant	832
SVAA 2009 Grant	1,317
Bond Retirement	45,802

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

NOTE 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;

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2009, the City and public depositories complied with the provisions of these statutes.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City’s deposits was \$12,243,639. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of December 31, 2009, the City’s entire bank balance of \$12,525,529 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2009, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
Repurchase Agreement	\$ 310,000	\$ 310,000

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 City’s investments in the federal agency securities that underlie the City’s repurchase agreement were rated Aaa by Moody’s Investor Services.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment in repurchase agreements is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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 2009 for real and public utility property taxes represent collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2009 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. 2009 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2009, and are collected in 2009 with real property taxes.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 6: TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2009, was \$12.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$	141,499,350
Tangible Personal Property		328,340
Public Utilities		6,487,610
 Total	 \$	 <u><u>148,315,300</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, 2009, 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 2009 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, 2009 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$93,957. 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)
For the Year Ended December 31, 2009

NOTE 8: INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2009:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 432,853
Fire Fund	0	233,864
Non-Major Governmental Funds:		
Tree	5,000	0
Municipal Airport	125,000	0
Fire Pension	233,864	0
Police Pension	191,210	0
VOCA	1,643	0
Cemetery	110,000	0
Total Non-Major Governmental Funds	<u>666,717</u>	<u>0</u>
Total All Funds	<u>\$ 666,717</u>	<u>\$ 666,717</u>

The \$233,864 transfer from the Fire Fund to the Fire Pension Fund and the \$191,210 transfer from the General Fund to the Police Pension Fund were for the purpose of pension payments to the Ohio Police and Fire Pension Fund.

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

B. Interfund Balances

During 2009, the Water and Sewer Funds each advanced \$22,901 to the bond retirement fund to retire special assessment bonds early. These long-term advances will be repaid as the special assessments are collected each year. The entire amount advanced was outstanding as of December 31, 2009.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,968,755	\$ 269,970	\$ 0	\$ 2,238,725
Construction in Progress	1,252,488	1,932,477	(1,184,141)	2,000,824
<i>Total Capital Assets Not Being Depreciated</i>	3,221,243	2,202,447	(1,184,141)	4,239,549
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	121,584	0	0	121,584
Buildings	2,839,215	442,920	0	3,282,135
Improvements Other Than Buildings	1,777,005	15,520	0	1,792,525
Machinery and Equipment	2,669,776	43,659	(47,686)	2,665,749
Furniture and Fixtures	44,466	0	0	44,466
Vehicles	803,467	27,334	(55,066)	775,735
Infrastructure	14,041,907	1,185,099	0	15,227,006
<i>Total Capital Assets, Being Depreciated</i>	22,297,420	1,714,532	(102,752)	23,909,200
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(52,970)	(5,802)	0	(58,772)
Buildings	(991,351)	(77,687)	0	(1,069,038)
Improvements Other Than Buildings	(996,150)	(83,548)	0	(1,079,698)
Machinery and Equipment	(1,625,711)	(122,677)	28,030	(1,720,358)
Furniture and Fixtures	(29,487)	(3,475)	0	(32,962)
Vehicles	(625,466)	(60,747)	55,066	(631,147)
Infrastructure	(4,185,614)	(559,259)	0	(4,744,873)
<i>Total Accumulated Depreciation</i>	(8,506,749)	(913,195) *	83,096	(9,336,848)
<i>Total Capital Assets Being Depreciated, Net</i>	13,790,671	801,337	(19,656)	14,572,352
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 17,011,914	\$ 3,003,784	\$ (1,203,797)	\$ 18,811,901

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 21,498
Leisure Time Services	164,319
Security of Persons and Property	81,912
Transportation	622,608
Public Health	22,858
	913,195
Total	\$ 913,195

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in Progress	58,523	994,304	(58,523)	994,304
<i>Total Capital Assets Not Being Depreciated</i>	<u>259,564</u>	<u>994,304</u>	<u>(58,523)</u>	<u>1,195,345</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	10,320,691	0	0	10,320,691
Improvements Other Than Buildings	9,411,000	0	0	9,411,000
Machinery and Equipment	1,107,438	78,070	(5,760)	1,179,748
Furniture and Fixtures	34,591	0	0	34,591
Vehicles	543,887	25,765	0	569,652
Water Lines	3,191,104	250,292	0	3,441,396
Sewer Lines	4,786,081	0	0	4,786,081
<i>Total Capital Assets, Being Depreciated</i>	<u>29,394,792</u>	<u>354,127</u>	<u>(5,760)</u>	<u>29,743,159</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(5,165,731)	(356,278)	0	(5,522,009)
Improvements Other Than Buildings	(2,830,367)	(147,506)	0	(2,977,873)
Machinery and Equipment	(593,405)	(87,950)	5,760	(675,595)
Furniture and Fixtures	(34,591)	0	0	(34,591)
Vehicles	(427,751)	(54,313)	0	(482,064)
Water Lines	(1,384,248)	(53,211)	0	(1,437,459)
Sewer Lines	(2,376,451)	(60,613)	0	(2,437,064)
<i>Total Accumulated Depreciation</i>	<u>(12,812,544)</u>	<u>(759,871)</u>	<u>5,760</u>	<u>(13,566,655)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>16,582,248</u>	<u>(405,744)</u>	<u>0</u>	<u>16,176,504</u>
 <i>Total Business-Type Capital Assets, Net</i>	 <u>\$ 16,841,812</u>	 <u>\$ 588,560</u>	 <u>\$ (58,523)</u>	 <u>\$ 17,371,849</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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, 2009, 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 2009 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For 2009, 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 from January 1 through March 31, 2009 and 5.5 percent of covered payroll from April 1 through December 31, 2009. 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, 2009, 2008, and 2007 were \$301,655, \$279,977 and \$324,906, respectively; 92.9 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$14,243 made by the City and \$10,174 made by the plan members.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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 2009, 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 \$147,876 and \$196,757 for the year ended December 31, 2009, \$154,721 and \$191,315 for the year ended December 31, 2008 and \$154,406 and \$186,503 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 75.93 percent has been contributed for police and 75.26 percent has been contributed for firefighters for 2009.

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)
For the Year Ended December 31, 2009

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 2009, local government employers contributed 14.0 percent of covered payroll (17.63 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 from January 1 through March 31, 2009 and 5.5 percent of covered payroll from April 1 through December 31, 2009.

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, 2009, 2008, and 2007 were \$248,564, \$279,977 and \$214,010, respectively; 92.9 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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)
For the Year Ended December 31, 2009

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, 2009, 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 \$81,610 and \$75,213 for the year ended December 31, 2009, \$78,287 and \$76,992 for the year ended December 31, 2008 and \$81,745 and \$72,979 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 75.93 percent has been contributed for police and 75.26 percent has been contributed for firefighter for 2009.

NOTE 12: CONTRACTUAL COMMITMENTS

As of December 31, 2009, the City had contractual commitments for the following projects:

	<u>Commitment</u>	<u>Expended</u>	<u>12/31/2009</u>
US 40/I-77 Sanitary Sewer Extension-			
Nicolazakes Trucking & Construction, Inc.	\$ 221,177	146,771	74,406
Construction of Muncipal Court Building -			
Davis Architectual Group	172,637	155,581	17,056
Dalmation Fire Inc.	46,806	6,150	40,656
Jerry Able Electric Inc.	294,247	58,262	235,985
Colaianni Construction Inc.	2,870,188	567,555	2,302,633
H & A Mechanical Inc.	325,000	138,304	186,696
Claypool Eleetric Inc.	150,300	7,250	143,050
Flickinger Piping Co Inc.	134,337	31,539	102,798
	<u>\$ 4,214,692</u>	<u>\$ 1,111,412</u>	<u>\$ 3,103,280</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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, employees with five (5) years of service or more with the City receive a lump sum settlement for unused sick leave at the rate of one-half (1/2) of all unused sick leave or a maximum of 60 days or 480 hours. In addition, any union employees who retires or is laid-off after ten (10) years of service, is eligible to receive 10 percent of all sick time in excess of 960 hours. The payment is based upon a maximum of sixty (60) days at the employee's hourly rate of compensation at the time of retirement.

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year, except for police officers. Police officers can carryover vacation balance up to three years. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2009 the liability for unpaid compensated absences was \$942,038.

NOTE 14: LONG-TERM OBLIGATIONS

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
Special Assessment Bonds:			
Waterline Improvement - 1997	5.25%	\$ 51,864	12/1/2017 *
Sewerline Improvement - 1997	5.25%	148,136	12/1/2017 *
General Obligation Bonds:			
Courthouse Facilities Improvement Bonds-2009			
Serial Bonds	2.00%-3.00%	770,000	12/1/2016
Capital Appreciation Bonds	35.50%	375,000	12/1/2019
Term Bonds	3.75%-4.50%	7,980,000	12/1/2037
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

*These bonds were paid off early in 2009.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during the year ended December 31, 2009 consisted of the following:

	<u>Principal Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2009</u>	<u>Due in One Year</u>
Governmental Activities					
Special Assessment Bonds:					
Waterline Improvement	\$ 29,821	\$ 0	\$ (29,821)	\$ 0	\$ 0
Unamortized Discount	(134)	134	0	0	0
Sewerline Improvement	85,179	0	(85,179)	0	0
Unamortized Discount	(382)	382	0	0	0
Total Special Assessment Bonds	114,484	516	(115,000)	0	0
General Obligation Bonds:					
2009 Courthouse Facilities Improvement Bonds					
Serial and Term Bonds	0	3,980,000	0	3,980,000	85,000
Capital Appreciation Bonds	0	19,656	0	19,656	0
Accretion on Capital Appreciation Bonds	0	1,462	0	1,462	0
Unamortized Premium	0	169,030	0	169,030	0
Total General Obligation Bonds	0	4,170,148	0	4,170,148	85,000
John Deere Tractor Loan	15,931	0	(15,931)	0	0
Total Governmental Activities Long-Term Debt	130,415	4,170,664	(130,931)	4,170,148	85,000
Other Long-Term Obligations:					
Compensated absences	705,408	148,174	(37,959)	815,623	30,621
Capital leases	376,642	0	(87,298)	289,344	91,518
Accrued pension liability	501,526	0	(10,549)	490,977	11,002
Total other long-term obligations	1,583,576	148,174	(135,806)	1,595,944	133,141
Total governmental activities long-term debt and other long-term obligations	<u>\$ 1,713,991</u>	<u>\$ 4,318,838</u>	<u>\$ (266,737)</u>	<u>\$ 5,766,092</u>	<u>\$ 218,141</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

	<u>Principal Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2009</u>	<u>Due in One Year</u>
Business-Type Activities					
Long-Term Debt:					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 1,580,000	\$ 0	\$ (199,000)	\$ 1,381,000	\$ 211,000
OWDA Loans:					
Water Pollution Improvement	755,740	0	(368,503)	387,237	387,237
Water Pollution Improvement	2,223,777	0	(196,319)	2,027,458	204,330
Digester and Sewer Lining	446,050	0	(83,129)	362,921	86,064
Total OWDA Loans	<u>3,425,567</u>	<u>0</u>	<u>(647,951)</u>	<u>2,777,616</u>	<u>677,631</u>
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	<u>119,897</u>	<u>0</u>	<u>(9,223)</u>	<u>110,674</u>	<u>9,222</u>
Total Business-Type Activities Long-Term Debt	5,125,464	0	(856,174)	4,269,290	897,853
Other Long-Term Obligations:					
Compensated absences	153,432	30,166	(57,183)	126,415	6,768
Capital leases	<u>37,159</u>	<u>0</u>	<u>(37,159)</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations	<u>\$ 5,316,055</u>	<u>\$ 30,166</u>	<u>\$ (950,516)</u>	<u>\$ 4,395,705</u>	<u>\$ 904,621</u>

The City's special assessment bonds are general obligation debt (backed by the full faith and credit of the City) that are 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. These bonds were retired early in 2009.

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2009 was \$808,262 in principal and interest payments through the year 2035. Only the principal amount of \$490,977 is included in the Governmental Activities as a long-term liability. Payments are made from property tax receipted into the police and fire pension special revenue funds.

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

2009 Courthouse Facilities Improvement Bonds

On September 30, 2009, the City issued \$3,999,656 of general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$770,000, \$3,210,000 and \$19,656, respectively. The bonds were issued for the purpose of construction of a new municipal court building, equipment, furnishings and site improvements. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2037.

The bonds were issued with a premium of \$169,030, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2009 was \$-0-. The issuance costs of \$169,030 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$-0-.

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

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

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

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

The capital appreciation bonds mature December 1, 2017 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$375,000. For fiscal year 2009, the accretion amount was \$1,462.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

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

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$4,269,290 of mortgage revenue bonds, Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 74.8 percent. The total principal and interest remaining to be paid on the loans is \$4,889,559. Principal and interest paid for the current year and total net revenues were \$1,051,520 and \$1,405,875, respectively.

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

Years	Accrued Pension Liability		General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 11,002	\$ 20,751	\$ 85,000	\$ 175,589	\$ 0	\$ 0
2011	11,474	20,278	110,000	153,612	0	0
2012	11,967	19,785	110,000	151,413	0	0
2013	12,481	19,271	110,000	149,212	0	0
2014	13,017	18,735	115,000	146,738	0	0
2015-2019	73,969	84,794	240,000	695,313	19,656	355,344
2020-2024	91,279	67,484	675,000	636,063	0	0
2025-2029	112,641	46,123	810,000	493,072	0	0
2030-2034	139,001	19,763	1,005,000	301,725	0	0
2035-2037	14,146	301	720,000	65,700	0	0
Totals	\$ 490,977	\$ 317,285	\$ 3,980,000	\$ 2,968,437	\$ 19,656	\$ 355,344

Years	Total	
	Principal	Interest
2010	\$ 96,002	\$ 196,340
2011	121,474	173,890
2012	121,967	171,198
2013	122,481	168,483
2014	128,017	165,473
2015-2019	333,625	1,135,451
2020-2024	766,279	703,547
2025-2029	922,641	539,195
2030-2034	1,144,001	321,488
2035-2037	734,146	66,001
Totals	\$ 4,490,633	\$3,641,066

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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
2010	\$ 211,000	\$ 52,202	\$ 677,631	\$ 106,326	\$ 9,222	\$ 897,853	\$ 158,528
2011	217,000	44,226	301,772	80,445	9,223	527,995	124,671
2012	223,000	36,024	313,596	68,620	9,223	545,819	104,644
2013	233,000	27,594	325,885	56,331	9,223	568,108	83,925
2014	244,000	18,786	239,781	44,415	9,223	493,004	63,201
2015-2019	253,000	9,564	918,951	75,736	46,113	1,218,064	85,300
2020-2022	0	0	0	0	18,447	18,447	0
Totals	<u>\$ 1,381,000</u>	<u>\$ 188,396</u>	<u>\$ 2,777,616</u>	<u>\$ 431,873</u>	<u>\$ 110,674</u>	<u>\$ 4,269,290</u>	<u>\$ 620,269</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 and street sweeper. These leases meet the criteria of a capital lease as they 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 \$502,478, 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, 2009:

		Governmental Activities Capital Leases
Year Ending December 31:	2010	\$ 105,372
	2011	80,537
	2012	80,537
	2013	<u>54,627</u>
Minimum lease payments		321,073
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(31,729)</u>
Present value of minimum lease payments		<u>\$ 289,344</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

NOTE 16: INSURANCE AND RISK MANAGEMENT

Self Insurance

The City maintains a self-funded dental and vision 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 and vision insurance program and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$244,215. The claims liability of \$8,244 reported in the Self-Insurance Fund at December 31, 2009 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 during 2008 and 2009 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Claims Expense</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2009	\$ 7,751	\$ 165,013	\$ 164,520	\$ 8,244
2008	\$ 12,848	\$ 76,374	\$ 81,471	\$ 7,751

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 2007, 2008 and 2009.

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)
For the Year Ended December 31, 2009

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 2008 and 2007 was \$2,014,547 \$1,901,127 respectively.

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

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, 2008 and 2007 (the latest information available):

<u>Casualty Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	(15,310,206)	(17,340,825)
Retained Earnings	<u>\$ 20,459,329</u>	<u>\$ 20,219,246</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 2009 the City contributed \$28,074 to S.E.N.T., which represents 30 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 and retirement housing. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2009, there were three series of Revenue Bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of \$16,265,000 and \$3,350,000, respectively.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
For the Year Ended December 31, 2009

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, 2009.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 9, 2010

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, 2009, and have issued our report thereon dated June 9, 2010. 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 deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 9, 2010.

Mayor and Members of Council
City of Cambridge
June 9, 2010
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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 9, 2010.

This report is intended solely for the information and use of the audit committee, management, 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, OHIO**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

NONE	
-------------	--

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	The City had expenditures exceed appropriations.	Yes	



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
JULY 29, 2010