



Dave Yost • Auditor of State

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

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GUERNSEY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire and Street Improvement Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2T to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Federal Awards Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2013

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The discussion and analysis of the City of Cambridge's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- In total, net position increased \$3,399,028, which represents a 7 percent increase from 2011. Net position of governmental activities increased \$2,319,660. Net position of business-type activities increased \$1,079,368.
- Total capital assets increased \$1,134,229. Capital assets of governmental activities increased \$1,568,355 and capital assets of business-type activities decreased \$434,126.
- Outstanding debt decreased from \$8,662,046 to \$7,996,850 due to principal payments made during the year.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2012 and how they affected the operations of the City as a whole.

Reporting the City of Cambridge as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City, the general, fire, street improvement and 8th street reconstruction funds are by far the most significant funds. Business-type funds consist of the water and sewer funds.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2012?" The Statement of Net Position 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 position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

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

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

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, fire fund, street improvement fund, and the 8th street reconstruction fund.

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

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

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

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

The City of Cambridge as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$ 11,783,666	\$ 11,089,969	\$ 7,421,180	\$ 6,491,711	\$ 19,204,846	\$ 17,581,680
Capital Assets	25,236,979	23,668,624	17,806,748	18,240,874	43,043,727	41,909,498
<i>Total Assets</i>	<u>37,020,645</u>	<u>34,758,593</u>	<u>25,227,928</u>	<u>24,732,585</u>	<u>62,248,573</u>	<u>59,491,178</u>
Liabilities						
Current and Other Liabilities	2,439,645	2,586,598	489,042	456,523	2,928,687	3,043,121
Long-Term Liabilities	5,456,795	5,367,450	3,717,796	4,334,340	9,174,591	9,701,790
<i>Total Liabilities</i>	<u>7,896,440</u>	<u>7,954,048</u>	<u>4,206,838</u>	<u>4,790,863</u>	<u>12,103,278</u>	<u>12,744,911</u>
Net Position						
Net Investment in						
Capital Assets	21,338,304	19,676,600	14,223,054	14,039,835	35,561,358	33,716,435
Restricted	5,397,266	5,117,196	0	0	5,397,266	5,117,196
Unrestricted	2,388,635	2,010,749	6,798,036	5,901,887	9,186,671	7,912,636
<i>Total Net Position</i>	<u>\$ 29,124,205</u>	<u>\$ 26,804,545</u>	<u>\$ 21,021,090</u>	<u>\$ 19,941,722</u>	<u>\$ 50,145,295</u>	<u>\$ 46,746,267</u>

At year end, capital assets represented 69 percent of total assets. Capital assets include, land, infrastructure, land improvements, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles and construction in progress. Net Investment in Capital Assets was \$35,561,358 at December 31, 2012, with \$21,338,304 in governmental activities and \$14,223,054 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Current assets increased \$929,469 in the enterprise funds. This is mainly attributed to an increase in cash due from additional people living in the city from the oil and gas boom.

A portion of the City's net position, \$5,397,266 or 11 percent represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$9,186,671 may be used to meet the government's ongoing obligations to citizens and creditors.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2012 and 2011.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,021,718	\$ 1,821,334	\$ 6,046,481	\$ 5,573,337	\$ 8,068,199	\$ 7,394,671
Operating Grants	950,734	1,550,978	0	0	950,734	1,550,978
Capital Grants	3,025,664	3,454,919	0	413,177	3,025,664	3,868,096
<i>General Revenues:</i>						
Property Taxes	1,488,559	1,429,050	0	0	1,488,559	1,429,050
Income Taxes	6,724,696	6,057,246	0	0	6,724,696	6,057,246
Hotel Lodging Tax	148,862	0	0	0	148,862	0
Grants and Entitlements	412,816	845,491	0	0	412,816	845,491
Gain on Sale of Capital Assets	4,000	0	0	0	4,000	0
Investment Earnings	13,710	37,289	7,372	1,253	21,082	38,542
Miscellaneous	62,676	69,867	41,948	10,027	104,624	79,894
<i>Total Revenues</i>	<u>14,853,435</u>	<u>15,266,174</u>	<u>6,095,801</u>	<u>5,997,794</u>	<u>20,949,236</u>	<u>21,263,968</u>
Program Expenses						
General Government	3,146,257	2,974,088	0	0	3,146,257	2,974,088
Security of Persons and Property	4,671,126	4,194,846	0	0	4,671,126	4,194,846
Public Health	320,380	257,895	0	0	320,380	257,895
Leisure Time Services	1,117,408	1,012,419	0	0	1,117,408	1,012,419
Community Development	480,517	730,471	0	0	480,517	730,471
Transportation	2,602,328	1,758,380	0	0	2,602,328	1,758,380
Interest and Fiscal Charges	195,759	193,890	0	0	195,759	193,890
<i>Enterprise Operations:</i>						
Water	0	0	2,744,302	3,244,550	2,744,302	3,244,550
Sewer	0	0	2,272,131	2,276,840	2,272,131	2,276,840
<i>Total Program Expenses</i>	<u>12,533,775</u>	<u>11,121,989</u>	<u>5,016,433</u>	<u>5,521,390</u>	<u>17,550,208</u>	<u>16,643,379</u>
<i>Change in Net Position</i>	2,319,660	4,144,185	1,079,368	476,404	3,399,028	4,620,589
<i>Net Position Beginning of Year</i>	<u>26,804,545</u>	<u>22,660,360</u>	<u>19,941,722</u>	<u>19,465,318</u>	<u>46,746,267</u>	<u>42,125,678</u>
<i>Net Position End of Year</i>	<u>\$ 29,124,205</u>	<u>\$ 26,804,545</u>	<u>\$ 21,021,090</u>	<u>\$ 19,941,722</u>	<u>\$ 50,145,295</u>	<u>\$ 46,746,267</u>

Governmental activities grants decreased by \$1,029,499 due to several ODOT and OPWC projects being completed. Security of persons and property increased in 2012 due to the retirement of the fire and police chiefs. Transportation expense increased in 2012 due to repairs and maintenance to city streets. Income taxes increased by 11 percent due to an improvement in the economy from the oil and gas boom.

Enterprise charges for services are up due to the large number of oil and gas personnel staying in the city.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

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 2.0 percent, which is an increase of 0.5 percent from the previous rate of 1.5 percent. The City began collecting the additional 0.5 percent income tax on January 1, 2010. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

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 \$4,671,126 represents 37 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 \$2,602,328, or 21 percent of total governmental activities expenses, during 2012.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,437,788 in 2012 equaling 11 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 2012, charges for services of \$6,046,481 accounted for 99 percent of the business type revenues. The total expenses for the utilities were \$5,016,433, thus leaving an increase in net position of \$1,079,368 for the business-type activities.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$13,733,521 and expenditures of \$14,263,491. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$424,204, mostly due to an increase in income taxes.

The fund balance of the fire fund decreased by \$38,053.

The street improvement fund's net change in fund balance for fiscal year 2012 was a decrease of \$464,222. Due to timing of tax collections compared to projected expenses.

The 8th street reconstruction fund's net change in fund balance for fiscal year 2012 was a decrease of \$10,913.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to \$2,146,920 and the unrestricted net position of the sewer fund were \$4,588,844. The total growth in net position for both funds was \$236,063 and \$826,702, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2012, 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 actual budget basis revenue was \$6,871,657, representing an increase of \$418,843 compared the final budget estimate of \$6,452,814. Most of this difference was attributable to actual income tax collections exceeding fund budget estimates.

Final expenditure appropriations of \$6,892,600 were \$230,659 higher than the actual expenditures of \$6,661,941, as cost savings were recognized for general government and security of persons and property throughout the year.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2012, the City had \$43,043,727 invested in capital assets. A total of \$25,236,979 of this was for governmental activities and \$17,806,748 being attributable to business-type activities. Table 3 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,238,725	\$ 2,238,725	\$ 201,041	\$ 201,041	\$ 2,439,766	\$ 2,439,766
Infrastructure	14,756,115	10,257,945	0	0	14,756,115	10,257,945
Land Improvements	45,403	51,206	0	0	45,403	51,206
Buildings	5,859,559	6,030,941	3,729,848	4,086,126	9,589,407	10,117,067
Improvements Other Than Buildings	635,181	678,988	6,388,335	6,578,689	7,023,516	7,257,677
Machinery and Equipment	905,556	941,030	535,053	612,669	1,440,609	1,553,699
Furniture and Fixtures	29,710	32,682	0	0	29,710	32,682
Vehicles	249,593	167,728	61,664	17,362	311,257	185,090
Water Lines	0	0	3,766,236	3,389,856	3,766,236	3,389,856
Sewer Lines	0	0	3,124,571	3,199,731	3,124,571	3,199,731
Construction in Progress	517,137	3,269,379	0	155,400	517,137	3,424,779
Total	\$ 25,236,979	\$ 23,668,624	\$ 17,806,748	\$ 18,240,874	\$ 43,043,727	\$ 41,909,498

The \$1,568,355 increase in capital assets of governmental activities was attributable to additional purchases exceeding current year depreciation and disposals. The \$434,126 decrease in capital assets of business-type activities is due to current year depreciation and disposals exceeding additional purchases. See Note 9 for additional information about the capital assets of the City.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2012 was \$7,996,850. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 3,882,214	\$ 3,982,556	\$ 0	\$ 0	\$ 3,882,214	\$ 3,982,556
Mortgage Revenue Bonds	0	0	730,000	953,000	730,000	953,000
OPWC Loans	67,711	0	83,007	92,230	150,718	92,230
OWDA Loans	0	0	2,770,687	3,155,809	2,770,687	3,155,809
US Bank Car Loan	6,697	9,950	0	0	6,697	9,950
Police and Fire Pension	456,534	468,501	0	0	456,534	468,501
<i>Total</i>	<u>\$ 4,413,156</u>	<u>\$ 4,461,007</u>	<u>\$ 3,583,694</u>	<u>\$ 4,201,039</u>	<u>\$ 7,996,850</u>	<u>\$ 8,662,046</u>

Economic Factors

In 2012 much of the activity we are seeing around town is support or anticipation of the Utica Shale play in eastern Ohio. Subsequently, most of the vacant buildings are now occupied or have been purchased and anticipate opening soon. One of the largest impacts is the potential for four new hotels in the City. These buildings will not create a large number of jobs, but the recently added bed tax should generate about \$4 per bed per night.

The City has been fortunate to continue to keep infrastructure improvements active with road, water and sewer projects. We have received funding through several grants and with capital improvement funds to have projects scheduled into 2018. Current projects like the N 8th Street reconstruction and the Hospital Waterline Loop are active now with Oakland and Clark Street improvements in the planning stages.

Contacting the City's Finance Department

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

City of Cambridge
Guernsey County, Ohio
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,870,448	\$ 5,832,579	\$ 9,703,027
Cash and Cash Equivalents in Segregated Accounts	532,152	0	532,152
Accounts Receivable	106,773	1,272,780	1,379,553
Intergovernmental Receivable	3,150,329	0	3,150,329
Property Taxes Receivable	1,882,906	0	1,882,906
Income Taxes Receivable	1,997,704	0	1,997,704
Special Assessments Receivable	62,255	0	62,255
Loans Receivable	62,228	0	62,228
Internal Balances	(84,054)	84,054	0
Prepaid Items	10,235	9,586	19,821
Materials and Supplies Inventory	42,077	19,853	61,930
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	202,328	202,328
Deferred Charges	150,613	0	150,613
Non-Depreciable Capital Assets	2,755,862	201,041	2,956,903
Depreciable Capital Assets, Net	22,481,117	17,605,707	40,086,824
<i>Total Assets</i>	<u>37,020,645</u>	<u>25,227,928</u>	<u>62,248,573</u>
Liabilities			
Accounts Payable	66,831	77,649	144,480
Accrued Wages	228,532	63,102	291,634
Contracts Payable	125,615	0	125,615
Intergovernmental Payable	289,906	52,065	341,971
Accrued Interest Payable	17,131	2,299	19,430
Claims Payable	4,906	0	4,906
Deferred Revenue	1,500,190	0	1,500,190
Accrued Vacation Leave Payable	187,595	75,843	263,438
Matured Compensated Absences Payable	18,939	15,756	34,695
Refundable Deposits	0	202,328	202,328
Long-Term Liabilities:			
Due Within One Year	279,129	651,555	930,684
Due in More Than One Year	5,177,666	3,066,241	8,243,907
<i>Total Liabilities</i>	<u>7,896,440</u>	<u>4,206,838</u>	<u>12,103,278</u>
Net Position			
Net Investment in Capital Assets	21,338,304	14,223,054	35,561,358
Restricted for Debt Service	52,258	0	52,258
Restricted for Capital Outlay	2,468,268	0	2,468,268
Restricted for Other Purposes	2,876,740	0	2,876,740
Unrestricted	2,388,635	6,798,036	9,186,671
<i>Total Net Position</i>	<u>\$ 29,124,205</u>	<u>\$ 21,021,090</u>	<u>\$ 50,145,295</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	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	\$ 3,146,257	\$ 1,335,715	\$ 200	\$ 0	\$ (1,810,342)	\$ 0	\$ (1,810,342)
Security of Persons and Property	4,671,126	235,676	314,464	0	(4,120,986)	0	(4,120,986)
Public Health	320,388	159,602	3,028	0	(157,758)	0	(157,758)
Leisure Time Services	1,117,400	288,809	22,619	0	(805,972)	0	(805,972)
Community Development	480,517	0	53,487	0	(427,030)	0	(427,030)
Transportation	2,602,328	1,916	556,936	3,025,664	982,188	0	982,188
Interest and Fiscal Charges	195,759	0	0	0	(195,759)	0	(195,759)
<i>Total Governmental Activities</i>	<u>12,533,775</u>	<u>2,021,718</u>	<u>950,734</u>	<u>3,025,664</u>	<u>(6,535,659)</u>	<u>0</u>	<u>(6,535,659)</u>
Business-Type Activities							
Water	2,744,302	2,998,325	0	0	0	254,023	254,023
Sewer	2,272,131	3,048,156	0	0	0	776,025	776,025
<i>Total Business-Type Activities</i>	<u>5,016,433</u>	<u>6,046,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,030,048</u>	<u>1,030,048</u>
<i>Total Primary Government</i>	<u>\$ 17,550,208</u>	<u>\$ 8,068,199</u>	<u>\$ 950,734</u>	<u>\$ 3,025,664</u>	<u>(6,535,659)</u>	<u>1,030,048</u>	<u>(5,505,611)</u>
General Revenues:							
Property Taxes Levied for:							
					297,550	0	297,550
					1,191,009	0	1,191,009
Income Taxes Levied for:							
					5,218,761	0	5,218,761
					1,505,935	0	1,505,935
					148,862	0	148,862
					412,816	0	412,816
					4,000	0	4,000
					13,710	7,372	21,082
					62,676	41,948	104,624
<i>Total General Revenues</i>					<u>8,855,319</u>	<u>49,320</u>	<u>8,904,639</u>
<i>Change in Net Position</i>					2,319,660	1,079,368	3,399,028
<i>Net Position Beginning of Year</i>					<u>26,804,545</u>	<u>19,941,722</u>	<u>46,746,267</u>
<i>Net Position End of Year</i>					<u>\$ 29,124,205</u>	<u>\$ 21,021,090</u>	<u>\$ 50,145,295</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	Fire Fund	Street Improvement Fund	8th Street Reconstruction Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 835,944	\$ 139,027	\$ 743,707	\$ 0	\$ 2,151,770	\$ 3,870,448
Cash and Cash Equivalents in Segregated Accounts	37,859	0	0	0	224,130	261,989
Accounts Receivable	69,524	0	0	0	37,249	106,773
Intergovernmental Receivable	134,872	60,892	0	1,641,925	1,312,640	3,150,329
Property Taxes Receivable	356,740	1,432,570	0	0	93,596	1,882,906
Income Taxes Receivable	1,553,478	0	295,766	0	148,460	1,997,704
Special Assessments Receivable	0	0	0	0	62,255	62,255
Loans Receivable	0	0	0	0	62,228	62,228
Prepaid Items	6,386	828	0	0	3,021	10,235
Materials and Supplies Inventory	0	0	0	0	42,077	42,077
<i>Total Assets</i>	<u>\$ 2,994,803</u>	<u>\$ 1,633,317</u>	<u>\$ 1,039,473</u>	<u>\$ 1,641,925</u>	<u>\$ 4,137,426</u>	<u>\$ 11,446,944</u>
Liabilities						
Accounts Payable	\$ 40,500	\$ 2,495	\$ 3,404	\$ 0	\$ 20,432	\$ 66,831
Accrued Wages	141,185	55,644	0	0	31,703	228,532
Contracts Payable	0	0	0	85,087	40,528	125,615
Intergovernmental Payable	164,066	97,970	0	0	27,870	289,906
Advances from Other Funds	0	0	0	0	21,782	21,782
Deferred Revenue	812,739	1,493,462	71,290	1,567,751	1,486,911	5,432,153
Matured Compensated Absences Payable	18,939	0	0	0	0	18,939
<i>Total Liabilities</i>	<u>1,177,429</u>	<u>1,649,571</u>	<u>74,694</u>	<u>1,652,838</u>	<u>1,629,226</u>	<u>6,183,758</u>
Fund Balances						
Nonspendable	43,515	828	0	0	45,098	89,441
Restricted	0	0	964,779	0	2,490,471	3,455,250
Committed	0	0	0	0	29,454	29,454
Assigned	630,470	0	0	0	0	630,470
Unassigned	1,143,389	(17,082)	0	(10,913)	(56,823)	1,058,571
<i>Total Fund Balances</i>	<u>1,817,374</u>	<u>(16,254)</u>	<u>964,779</u>	<u>(10,913)</u>	<u>2,508,200</u>	<u>5,263,186</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,994,803</u>	<u>\$ 1,633,317</u>	<u>\$ 1,039,473</u>	<u>\$ 1,641,925</u>	<u>\$ 4,137,426</u>	<u>\$ 11,446,944</u>

See accompanying notes to the basic financial statements

City of Cambridge
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Fund Balances	\$	5,263,186
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,236,979
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 382,716	
Income Tax	552,524	
Intergovernmental	2,934,468	
Special Assessments	<u>62,255</u>	
Total		3,931,963
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		202,985
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(17,131)
Unamortized issuances costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		150,613
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,675,000)	
Capital Appreciation Bonds	(19,656)	
Bond Accretion	(36,639)	
Unamortized Bond Premium	(150,919)	
Police Car Loan	(6,697)	
OPWC Loans	(67,711)	
Police and Fire Pension	(456,534)	
Capital Leases	(203,713)	
Accrued Vacation Leave Payable	(187,595)	
Compensated Absences	<u>(839,926)</u>	
Total		<u>(5,644,390)</u>
<i>Net Position of Governmental Activities</i>	\$	<u><u>29,124,205</u></u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Fire Fund	Street Improvement Fund	8th Street Road Reconstruction Fund	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 297,994	\$ 1,134,746	\$ 0	\$ 0	\$ 77,738	\$ 1,510,478
Income Taxes	5,196,026	0	1,000,799	0	423,766	6,620,591
Hotel Lodging Tax	148,862	0	0	0	0	148,862
Special Assessments	0	0	0	0	7,325	7,325
Charges for Services	361,164	170,000	0	0	211,328	742,492
Licenses and Permits	154,346	0	0	0	0	154,346
Fines and Forfeitures	591,797	0	0	0	512,341	1,104,138
Intergovernmental	487,563	140,956	110,844	335,592	2,243,821	3,318,776
Interest	13,379	0	0	0	7,524	20,903
Rent	19,515	100	0	0	0	19,615
Contributions and Donations	22,819	500	0	0	0	23,319
Other	35,655	13,430	2,000	0	11,591	62,676
<i>Total Revenues</i>	<u>7,329,120</u>	<u>1,459,732</u>	<u>1,113,643</u>	<u>335,592</u>	<u>3,495,434</u>	<u>13,733,521</u>
Expenditures						
Current:						
General Government	2,769,997	0	0	0	301,356	3,071,353
Security of Persons and Property	2,183,096	1,584,559	0	0	736,596	4,504,251
Public Health	0	0	0	0	296,686	296,686
Leisure Time Services	809,766	0	0	0	72,321	882,087
Community Development	222,902	0	0	0	264,203	487,105
Transportation	124,000	0	881,134	0	914,818	1,919,952
Capital Outlay	30,998	5,000	738,531	346,505	1,558,144	2,679,178
Debt Service:						
Principal Retirement	22,462	49,871	24,654	0	145,006	241,993
Interest and Fiscal Charges	3,005	4,756	1,257	0	171,868	180,886
<i>Total Expenditures</i>	<u>6,166,226</u>	<u>1,644,186</u>	<u>1,645,576</u>	<u>346,505</u>	<u>4,460,998</u>	<u>14,263,491</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,162,894</u>	<u>(184,454)</u>	<u>(531,933)</u>	<u>(10,913)</u>	<u>(965,564)</u>	<u>(529,970)</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	0	0	133,436	133,436
Proceeds from Sale of Capital Assets	4,000	0	0	0	0	4,000
Proceeds from OPWC Loans	0	0	67,711	0	0	67,711
Transfers In	0	388,000	0	0	596,289	984,289
Transfers Out	(742,690)	(241,599)	0	0	0	(984,289)
<i>Total Other Financing Sources (Uses)</i>	<u>(738,690)</u>	<u>146,401</u>	<u>67,711</u>	<u>0</u>	<u>729,725</u>	<u>205,147</u>
<i>Net Change in Fund Balance</i>	424,204	(38,053)	(464,222)	(10,913)	(235,839)	(324,823)
<i>Fund Balance Beginning of Year</i>	1,393,170	21,799	1,429,001	0	2,744,039	5,588,009
<i>Fund Balance End of Year</i>	<u>\$ 1,817,374</u>	<u>\$ (16,254)</u>	<u>\$ 964,779</u>	<u>\$ (10,913)</u>	<u>\$ 2,508,200</u>	<u>\$ 5,263,186</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	(324,823)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,679,178	
Current Year Depreciation	<u>(1,110,823)</u>	1,568,355
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(21,918)	
Income Tax	104,105	
Intergovernmental	1,040,721	
Special Assessments	<u>(7,325)</u>	1,115,583
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	110,000	
Installment Loan	3,253	
Capital Lease	116,773	
Pension Obligations	<u>11,967</u>	241,993
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
OPWC Loans		(67,711)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	810	
Amortization of Issuance Costs	(6,025)	
Amortization of Premium on Bonds	<u>6,037</u>	822
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(133,436)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		52,907
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	2,198	
Compensated Absences	<u>(120,533)</u>	(118,335)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(15,695)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>2,319,660</u></u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 276,337	\$ 276,337	\$ 297,994	\$ 21,657
Income Taxes	4,650,000	4,650,000	4,925,390	275,390
Hotel Lodging Tax	0	0	148,862	148,862
Charges for Services	126,916	126,916	137,181	10,265
Licenses and Permits	136,000	136,000	153,498	17,498
Fines and Forfeitures	520,200	520,200	598,048	77,848
Intergovernmental	443,071	443,071	542,211	99,140
Interest	15,000	15,000	13,379	(1,621)
Rent	20,000	20,000	23,859	3,859
Other	1,156	177,290	31,235	(146,055)
<i>Total Revenues</i>	<u>6,188,680</u>	<u>6,364,814</u>	<u>6,871,657</u>	<u>506,843</u>
Expenditures				
Current:				
General Government	2,777,914	2,865,072	2,757,154	107,918
Security of Persons and Property	2,107,444	2,265,341	2,172,199	93,142
Leisure Time Services	595,577	595,577	586,589	8,988
Community Development	245,145	245,145	226,844	18,301
Capital Outlay	30,998	30,998	30,998	0
Debt Service:				
Principal Retirement	22,462	22,462	22,462	0
Interest and Fiscal Charges	3,005	3,005	3,005	0
<i>Total Expenditures</i>	<u>5,782,545</u>	<u>6,027,600</u>	<u>5,799,251</u>	<u>228,349</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>406,135</u>	<u>337,214</u>	<u>1,072,406</u>	<u>735,192</u>
Other Financing Sources (Uses)				
Transfers In	88,000	88,000	0	(88,000)
Transfers Out	(840,000)	(865,000)	(862,690)	2,310
<i>Total Other Financing Sources (Uses)</i>	<u>(752,000)</u>	<u>(777,000)</u>	<u>(862,690)</u>	<u>(85,690)</u>
<i>Net Change in Fund Balance</i>	(345,865)	(439,786)	209,716	649,502
<i>Fund Balance Beginning of Year</i>	421,084	421,084	421,084	0
Prior Year Encumbrances Appropriated	22,384	22,384	22,384	0
<i>Fund Balance End of Year</i>	<u>\$ 97,603</u>	<u>\$ 3,682</u>	<u>\$ 653,184</u>	<u>\$ 649,502</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 1,052,498	\$ 1,052,498	\$ 1,134,746	\$ 82,248
Charges for Services	172,652	172,652	172,652	0
Intergovernmental	143,465	143,465	141,851	(1,614)
Rent	0	0	100	100
Contributions and Donations	0	0	500	500
Other	5,000	5,500	13,430	7,930
<i>Total Revenues</i>	1,373,615	1,374,115	1,463,279	89,164
Expenditures				
Current:				
Security of Persons and Property	1,610,078	1,610,578	1,582,923	27,655
Capital Outlay	5,000	5,000	5,000	0
Debt Service:				
Principal Retirement	49,871	49,871	49,871	0
Interest and Fiscal Charges	4,756	4,756	4,756	0
<i>Total Expenditures</i>	1,669,705	1,670,205	1,642,550	27,655
<i>Excess of Revenues Over (Under) Expenditures</i>	(296,090)	(296,090)	(179,271)	116,819
Other Financing Sources (Uses)				
Transfers In	350,000	370,000	388,000	18,000
Transfers Out	222,000	242,000	(241,599)	401
<i>Total Other Financing Sources (Uses)</i>	128,000	128,000	146,401	18,401
<i>Net Change in Fund Balance</i>	(168,090)	(168,090)	(32,870)	135,220
<i>Fund Balance Beginning of Year</i>	164,225	164,225	164,225	0
Prior Year Encumbrances Appropriated	4,005	4,005	4,005	0
<i>Fund Balance End of Year</i>	\$ 140	\$ 140	\$ 135,360	\$ 135,220

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Improvement Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Income Taxes	\$ 900,000	\$ 900,000	\$ 953,318	\$ 53,318
Intergovernmental	0	0	110,844	110,844
Other	0	0	2,000	2,000
<i>Total Revenues</i>	900,000	900,000	1,066,162	166,162
Expenditures				
Current:				
Transportation	921,539	921,539	937,580	(16,041)
Capital Outlay	67,711	67,711	67,711	0
Debt Service:				
Principal Retirement	24,654	24,654	24,654	0
Interest and Fiscal Charges	1,257	1,257	1,257	0
<i>Total Expenditures</i>	1,015,161	1,015,161	1,031,202	(16,041)
<i>Excess of Revenues Over (Under) Expenditures</i>	(115,161)	(115,161)	34,960	150,121
Other Financing Sources (Uses)				
Proceeds from OPWC Loans	0	0	67,711	67,711
<i>Net Change in Fund Balance</i>	(115,161)	(115,161)	102,671	217,832
<i>Fund Balance Beginning of Year</i>	513,893	513,893	513,893	0
Prior Year Encumbrances Appropriated	52,161	52,161	52,161	0
<i>Fund Balance End of Year</i>	\$ 450,893	\$ 450,893	\$ 668,725	\$ 217,832

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,746,257	\$ 4,086,322	\$ 5,832,579	\$ 0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	270,163
Accounts Receivable	610,906	661,874	1,272,780	0
Prepaid Items	4,926	4,660	9,586	0
Materials and Supplies Inventory	19,853	0	19,853	0
<i>Total Current Assets</i>	<u>2,381,942</u>	<u>4,752,856</u>	<u>7,134,798</u>	<u>270,163</u>
<i>Non-Current Assets:</i>				
Advances to Other Funds	10,891	10,891	21,782	0
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	202,328	0	202,328	0
Non-Depreciable Capital Assets	142,529	58,512	201,041	0
Depreciable Capital Assets, Net	7,332,214	10,273,493	17,605,707	0
<i>Total Non-Current Assets</i>	<u>7,687,962</u>	<u>10,342,896</u>	<u>18,030,858</u>	<u>0</u>
<i>Total Assets</i>	<u>10,069,904</u>	<u>15,095,752</u>	<u>25,165,656</u>	<u>270,163</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	60,171	17,478	77,649	0
Accrued Wages	33,221	29,881	63,102	0
Intergovernmental Payable	26,857	25,208	52,065	0
Matured Compensated Absences Payable	15,756	0	15,756	0
Accrued Vacation Leave Payable	36,777	39,066	75,843	0
Accrued Interest Payable	2,299	0	2,299	0
Customer Deposits Payable	202,328	0	202,328	0
Claims Payable	0	0	0	4,906
Compensated Absences Payable	7,098	2,056	9,154	0
OPWC Loans Payable	9,223	0	9,223	0
OWDA Loans Payable	281,543	118,635	400,178	0
Revenue Bonds Payable	233,000	0	233,000	0
<i>Total Current Liabilities</i>	<u>908,273</u>	<u>232,324</u>	<u>1,140,597</u>	<u>4,906</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	63,734	61,214	124,948	0
OPWC Loans Payable - Net of Current Portion	73,784	0	73,784	0
OWDA Loans Payable - Net of Current Portion	2,261,966	108,543	2,370,509	0
Revenue Bonds Payable - Net of Current Portion	497,000	0	497,000	0
<i>Total Long-Term Liabilities</i>	<u>2,896,484</u>	<u>169,757</u>	<u>3,066,241</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,804,757</u>	<u>402,081</u>	<u>4,206,838</u>	<u>4,906</u>
Net Position				
Net Investment in Capital Assets	4,118,227	10,104,827	14,223,054	0
Unrestricted	2,146,920	4,588,844	6,735,764	265,257
<i>Total Net Position</i>	<u>\$ 6,265,147</u>	<u>\$ 14,693,671</u>	<u>20,958,818</u>	<u>\$ 265,257</u>
Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities				
Net Position of business-type activities			<u>62,272</u>	
			<u>\$ 21,021,090</u>	

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Totals	
Operating Revenues				
Charges for Services	\$ 2,998,325	\$ 3,048,156	\$ 6,046,481	\$ 553,177
Other	195	41,753	41,948	0
<i>Total Operating Revenues</i>	<u>2,998,520</u>	<u>3,089,909</u>	<u>6,088,429</u>	<u>553,177</u>
Operating Expenses				
Personal Services	1,167,760	1,001,083	2,168,843	0
Contractual Services	207,098	344,709	551,807	776
Materials and Supplies	822,948	544,475	1,367,423	0
Claims	0	0	0	483,222
Depreciation	413,241	377,190	790,431	0
<i>Total Operating Expenses</i>	<u>2,611,047</u>	<u>2,267,457</u>	<u>4,878,504</u>	<u>483,998</u>
<i>Operating Income</i>	<u>387,473</u>	<u>822,452</u>	<u>1,209,925</u>	<u>69,179</u>
Non-Operating Revenues (Expense)				
Interest	7,131	241	7,372	331
Interest and Fiscal Charges	(142,248)	(12,284)	(154,532)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(135,117)</u>	<u>(12,043)</u>	<u>(147,160)</u>	<u>331</u>
<i>Income (Loss) Before Transfers</i>	252,356	810,409	1,062,765	69,510
Transfers In	0	16,293	16,293	0
Transfers Out	(16,293)	0	(16,293)	0
<i>Change in Net Position</i>	236,063	826,702	1,062,765	69,510
<i>Net Position Beginning of Year</i>	<u>6,029,084</u>	<u>13,866,969</u>		<u>195,747</u>
<i>Net Position End of Year</i>	<u>\$ 6,265,147</u>	<u>\$ 14,693,671</u>		<u>\$ 265,257</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>16,603</u>	
Changes in Net Position of Business-Type Activities			<u>\$ 1,079,368</u>	

See accompanying notes to the basic financial statements

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Totals	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,847,310	\$ 3,016,480	\$ 5,863,790	\$ 553,177
Cash Payments to Suppliers for Goods and Services	(782,004)	(566,013)	(1,348,017)	0
Cash Payments to Employees for Services and Benefits	(1,150,290)	(991,519)	(2,141,809)	0
Cash Payments for Contractual Services	(207,826)	(366,762)	(574,588)	(776)
Cash Payments for Claims	0	0	0	(486,646)
Other Cash Payments	0	41,753	41,753	0
<i>Net Cash Provided by Operating Activities</i>	<u>707,190</u>	<u>1,133,939</u>	<u>1,841,129</u>	<u>65,755</u>
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Revenue	111,558	301,619	413,177	0
Acquisition of Capital Assets	(306,548)	(51,283)	(357,831)	0
Principal Payments on Debt	(475,852)	(141,493)	(617,345)	0
Interest Payments on Debt	(142,951)	(12,284)	(155,235)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(813,793)</u>	<u>96,559</u>	<u>(717,234)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	7,131	241	7,372	331
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(99,472)</u>	<u>1,230,739</u>	<u>1,131,267</u>	<u>66,086</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,048,057</u>	<u>2,855,583</u>	<u>4,903,640</u>	<u>204,077</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,948,585</u>	<u>\$ 4,086,322</u>	<u>\$ 6,034,907</u>	<u>\$ 270,163</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 387,473	\$ 822,452	\$ 1,209,925	\$ 69,179
Adjustments:				
Depreciation	413,241	377,190	790,431	0
(Increase) Decrease in Assets:				
Accounts Receivable	(155,807)	(37,758)	(193,565)	0
Prepaid Items	(340)	(1,153)	(1,493)	0
Materials and Supplies Inventory	282	0	282	0
Increase (Decrease) in Liabilities:				
Accounts Payable	44,309	(36,356)	7,953	0
Accrued Wages	4,836	4,785	9,621	0
Claims Payable	0	0	0	(3,424)
Customer Deposits Payable	562	0	562	0
Accrued Vacation Leave Payable	(1,944)	944	(1,000)	0
Compensated Absences Payable	(2,343)	3,144	801	0
Matured Compensated Absences Payable	15,756	0	15,756	0
Intergovernmental Payable	1,165	691	1,856	0
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 707,190</u>	<u>\$ 1,133,939</u>	<u>\$ 1,841,129</u>	<u>\$ 65,755</u>

Noncash Capital Financing Activities:

During 2012, capital assets were transferred from the water fund to the sewer enterprise fund in the amount of \$16,293 (cost was \$16,626 and accumulated depreciation was \$333).

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 54,392
Cash and Cash Equivalents in Segregated Accounts	50,081	190,219
Accounts Receivable	0	4,644
<i>Total Assets</i>	50,081	\$ 249,255
Liabilities		
Due to Others	0	\$ 249,255
Net Position		
Held in Trust for Private Purposes	\$ 50,081	

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2012

	Private Purpose Trust
Deductions	
Payments in Accordance with Trust Agreements	\$ 180
<i>Change in Net Position</i>	(180)
<i>Net Position Beginning of Year</i>	50,261
<i>Net Position End of Year</i>	\$ 50,081

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 2012; however, the City is not financially accountable for the Authority.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Street Improvement Fund – The street improvement special revenue fund is used to account for the costs associated with maintaining the streets and public roads.

8th Street Reconstruction Fund The 8th Street Reconstruction capital improvement fund is used to account for grant monies used for improvement.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

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

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

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

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

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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 position. The statement of revenues, expenses and changes in fund net position 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
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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, 2012, but which were levied to finance fiscal year 2013 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.

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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

During 2012, investments were limited to Star Ohio.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$13,379, which includes \$11,928 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, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 are reported as “advances to/from other funds.” Repayment is expected to be made within a reasonable time. These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances.”

K. Compensated Absences

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

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

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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, 2012, \$55,991 of the City's net position was restricted by enabling legislation.

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

N. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. City Council has by resolution authorized the City Auditor to assign fund balance. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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.

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

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 2012.

R. Estimates

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

S. Budgetary Data

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

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

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

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T. Implementation of New Accounting Policies

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on 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 an assigned fund balance (GAAP).

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4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general, fire and street improvement funds.

	General	Fire	Street
	Fund	Fund	Improvement
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
GAAP Basis	\$ 424,204	\$ (38,053)	(464,222)
Revenue Accruals	(206,771)	3,547	(47,481)
Expenditure Accruals	(13,165)	(2,031)	539,392
Encumbrances	25,635	3,667	74,982
Funds Budgeted Elsewhere**	<u>(20,187)</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$ 209,716</u>	<u>\$ (32,870)</u>	<u>\$ 102,671</u>

** As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes municipal airport fund, tree fund, park user fee reserve fund, recreation special activities fund, municipal trust fund, and indirect cost fund.

NOTE 4: ACCOUNTABILITY

The following funds had deficit balances as of December 31, 2012:

	<u>Deficit Fund</u>
	<u>Balance</u>
Major Funds:	
Fire	\$ 16,254
8th Street Road Reconstruction	10,913
Non-Major Funds:	
VOCA 2011/2012	2,631
SVAA 2011/2012	3,679
Bond Retirement	9,997
Campbell/Woodlawn Avenue	17,375
Route 40 Improvement	23,141

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.

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NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed 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 2012, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the City's deposits was \$5,729,770. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2012, \$5,572,608 of the City's bank balance of \$5,945,973 was exposed to custodial credit risk as discussed above, while \$373,365 was covered by Federal Deposit Insurance Corporation.

Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000 per financial institution through December 31, 2012. Insurance on deposits in noninterest-bearing accounts is unlimited through December 31, 2012. The City has both interest-bearing and noninterest-bearing accounts.

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Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from the City's other accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

Investments

As of December 31, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity 6 Months or Less</u>
STAR Ohio	<u>\$ 5,002,429</u>	<u>\$ 5,002,429</u>

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

Credit Risk STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

Concentration of Credit Risk The following table includes the percentage to total of each investment type held by the City at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAR Ohio	<u>\$ 5,002,429</u>	<u>100.00%</u>

NOTE 6: TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes were levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was 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 was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2012, was \$12.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$137,532,980
Public Utilities	7,455,620
Tangible Personal Property	49,800
Total Assessed Value	<u><u>\$145,038,400</u></u>

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

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

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 property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2012, 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 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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For the Year Ended December 31, 2012

B. Income Taxes

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

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, 2012 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$62,228. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. The fund balance representing revolving loans receivable is restricted because it is not appropriate for expenditures, or is legally segregated for specific use.

NOTE 8: INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2012:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 742,690
Fire Fund	388,000	241,599
Non-Major Governmental Funds:		
Fire Pension	241,599	0
Police Pension	214,690	0
VOCA	3,286	0
Cemetery	136,714	0
Total Non-Major Governmental Funds	596,289	0
Major Enterprise Funds:		
Water	0	16,293
Sewer	16,293	0
Total All Funds	\$ 1,000,582	\$ 1,000,582

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The \$241,599 transfer from the Fire Fund to the Fire Pension Fund and \$214,690 from the General Fund to the Police Pension Fund was 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.

During 2012, capital assets were transferred from the water fund to the sewer enterprise fund in the amount of \$16,293.

B. Interfund Balances

During 2009, the Water and Sewer Funds each advanced \$22,901, totaling \$45,802 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. As of December 31, 2012, \$21,782 is outstanding.

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2012 follows:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,238,725	\$ 0	\$ 0	\$ 2,238,725
Construction in Progress	3,269,379	2,376,830	(5,129,072)	517,137
<i>Total Capital Assets Not Being Depreciated</i>	<u>5,508,104</u>	<u>2,376,830</u>	<u>(5,129,072)</u>	<u>2,755,862</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	121,584	0	0	121,584
Buildings	7,404,922	0	(29,803)	7,375,119
Improvements Other Than Buildings	1,931,345	45,876	0	1,977,221
Machinery and Equipment	2,879,847	123,129	(65,922)	2,937,054
Furniture and Fixtures	74,466	0	0	74,466
Vehicles	788,309	133,343	(101,544)	820,108
Infrastructure	<u>16,232,010</u>	<u>5,129,072</u>	<u>0</u>	<u>21,361,082</u>
<i>Total Capital Assets, Being Depreciated</i>	29,432,483	5,431,420	(197,269)	34,666,634
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(70,378)	(5,803)	0	(76,181)
Buildings	(1,373,981)	(171,382)	29,803	(1,515,560)
Improvements Other Than Buildings	(1,252,357)	(89,683)	0	(1,342,040)
Machinery and Equipment	(1,938,817)	(158,603)	65,922	(2,031,498)
Furniture and Fixtures	(41,784)	(2,972)	0	(44,756)
Vehicles	(620,581)	(51,478)	101,544	(570,515)
Infrastructure	<u>(5,974,065)</u>	<u>(630,902)</u>	<u>0</u>	<u>(6,604,967)</u>
<i>Total Accumulated Depreciation</i>	<u>(11,271,963)</u>	<u>(1,110,823) *</u>	<u>197,269</u>	<u>(12,185,517)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>18,160,520</u>	<u>4,320,597</u>	<u>0</u>	<u>22,481,117</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 23,668,624</u>	<u>\$ 6,697,427</u>	<u>\$ (5,129,072)</u>	<u>\$25,236,979</u>

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*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 103,020
Leisure Time Services	218,348
Security of Persons and Property	79,531
Transportation	688,552
Community and Economic Development	1,407
Public Health	<u>19,965</u>
 Total	 <u><u>\$ 1,110,823</u></u>

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2012
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in progress	155,400	259,390	(414,790)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>356,441</u>	<u>259,390</u>	<u>(414,790)</u>	<u>201,041</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	10,220,444	0	0	10,220,444
Improvements Other Than Buildings	9,727,875	0	0	9,727,875
Machinery and Equipment	1,341,741	18,526	0	1,360,267
Furniture and Fixtures	34,591	0	0	34,591
Vehicles	506,454	58,927	(41,251)	524,130
Water Lines	4,962,498	434,252	0	5,396,750
Sewer Lines	<u>5,780,498</u>	<u>0</u>	<u>0</u>	<u>5,780,498</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>32,574,101</u>	<u>511,705</u>	<u>(41,251)</u>	<u>33,044,555</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(6,134,318)	(356,278)	0	(6,490,596)
Improvements Other Than Buildings	(3,149,186)	(190,354)	0	(3,339,540)
Machinery and Equipment	(729,072)	(96,142)	0	(825,214)
Furniture and Fixtures	(34,591)	0	0	(34,591)
Vehicles	(489,092)	(14,625)	41,251	(462,466)
Water Lines	(1,572,642)	(57,872)	0	(1,630,514)
Sewer Lines	<u>(2,580,767)</u>	<u>(75,160)</u>	<u>0</u>	<u>(2,655,927)</u>
<i>Total Accumulated Depreciation</i>	<u>(14,689,668)</u>	<u>(790,431)</u>	<u>41,251</u>	<u>(15,438,848)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>17,884,433</u>	 <u>(278,726)</u>	 <u>0</u>	 <u>17,605,707</u>
 <i>Total Governmental Activities Capital Assets, Net</i>	 <u>\$18,240,874</u>	 <u>\$ (19,336)</u>	 <u>\$ (414,790)</u>	 <u>\$17,806,748</u>

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NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Ohio 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2012, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

The City's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010, were \$560,275, \$433,822, and \$412,914, respectively. For 2012, 89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$18,861 made by the City and \$13,472 made by the plan members.

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B. Ohio Police and Fire Pension Fund (OP&F)

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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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 - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$233,005 and \$263,056 for the year ended December 31, 2012, \$167,549 and \$202,248 for the year ended December 31, 2011, and \$180,897 and \$162,532 for the year ended December 31, 2010, respectively. 70 percent for police and 70 percent for firefighters has been contributed for 2012. The full amount has been contributed for 2011 and 2010.

Social Security System

As of December 31, 2012, none of the Council members have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, 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.

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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$165,467, \$173,529 and \$205,271, respectively. For 2012, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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 health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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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.

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. That report is also available on OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$80,656 and \$73,985 for the year ended December 31, 2012, \$88,703 and \$79,140 for the year ended December 31, 2011, and \$95,769 and \$63,600 for the year ended December 31, 2010. 70 percent has been contributed for police and 70 percent has been contributed for firefighters for 2012. The full amount has been contributed for 2011 and 2010.

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NOTE 12: COMMITMENTS

A. Contractual Commitment

As of December 31, 2012, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2012
Covered Bridge Project	<u>\$ 24,500</u>	<u>\$ 21,675</u>	<u>\$ 2,825</u>

B. Other Commitments

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

Fund	Amount
General Fund	\$ 25,635
Fire	3,667
Street Improvement Fund	74,982
Other Governmental Funds	<u>53,258</u>
Total	<u>\$ 157,542</u>

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, 2012 the liability for unpaid compensated absences was \$974,028.

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NOTE 14: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds:			
Courthouse Facilities Improvement Bonds-2009			
Serial Bonds	2.00%-3.00%	\$ 770,000	12/1/2016
Capital Appreciation Bonds	35.50%	19,656	12/1/2019
Term Bonds	3.75%-4.50%	3,210,000	12/1/2037
U.S. Bank Car Loan - 2011	2.49%	9,950	4/1/2014
Ohio Public Works Commission Loan:			
Continuous Street Improvements	0.00%	70,311	1/1/2023
 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:			
Water Line Replacement - 2011	3.77%	1,187,512	7/1/2041
Sludge Facility - 1999	4.04%	3,873,566	7/1/2018
Digester and Sewer Lining - 2004	3.50%	877,877	1/1/2014
Sludge Press - 2010	3.86%	251,342	7/1/2015

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Changes in long-term obligations of the City during the year ended December 31, 2012 consisted of the following:

	Principal Balance 12/31/2011	Additions	Reductions	Principal Balance 12/31/2012	Due in One Year
Governmental Activities					
General Obligation Bonds:					
2009 Courthouse Facilities Improvement Bonds					
Serial and Term Bonds	\$ 3,785,000	\$ 0	\$ (110,000)	\$ 3,675,000	\$ 110,000
Capital Appreciation Bonds	19,656	0	0	19,656	0
Accretion on Capital Appreciation Bonds	20,944	15,695	0	36,639	0
Unamortized Premium	156,956	0	(6,037)	150,919	0
Total General Obligation Bonds	3,982,556	15,695	(116,037)	3,882,214	110,000
OPWC Loan:					
Continuous Street Improvement	0	67,711	0	67,711	3,516
Other Long-Term Obligations:					
Compensated absences	719,393	140,683	(20,150)	839,926	42,288
U.S. Bank Car Loan	9,950	0	(3,253)	6,697	3,307
Capital leases	187,050	133,436	(116,773)	203,713	107,537
Accrued pension liability	468,501	0	(11,967)	456,534	12,481
Total other long-term obligations	1,384,894	274,119	(152,143)	1,506,870	165,613
Total governmental activities long-term debt and other long-term obligations	\$ 5,367,450	\$ 357,525	\$ (268,180)	\$ 5,456,795	\$ 279,129

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	<u>Principal Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2012</u>	<u>Due in One Year</u>
Business-Type Activities					
Long-Term Debt:					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 953,000	\$ 0	\$ (223,000)	\$ 730,000	\$ 233,000
OWDA Loans:					
Water Line Replacement	1,176,679	0	(22,283)	1,154,396	23,130
Water Pollution Improvement	1,610,459	0	(221,346)	1,389,113	230,380
Digester and Sewer Lining	187,754	0	(92,249)	95,505	95,505
Sludge Press	180,917	0	(49,244)	131,673	51,163
Total OWDA Loans	<u>3,155,809</u>	<u>0</u>	<u>(385,122)</u>	<u>2,770,687</u>	<u>400,178</u>
OPWC Loan:					
Water Treatment Plant					
Filter Rehabilitation	92,230	0	(9,223)	83,007	9,223
Total OPWC Loan	<u>92,230</u>	<u>0</u>	<u>(9,223)</u>	<u>83,007</u>	<u>9,223</u>
Total Business-Type Activities					
Long-Term Debt	4,201,039	0	(617,345)	3,583,694	642,401
Other Long-Term Obligations:					
Compensated absences	<u>133,301</u>	<u>7,577</u>	<u>(6,776)</u>	<u>134,102</u>	<u>9,154</u>
Total Business-Type Activities					
Long-Term Debt and Other					
Long-Term Obligations	<u>\$ 4,334,340</u>	<u>\$ 7,577</u>	<u>\$ (624,121)</u>	<u>\$ 3,717,796</u>	<u>\$ 651,555</u>

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2012 was \$713,005 in principal and interest payments through the year 2035. Only the principal amount of \$456,534 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 business-type 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. Business-type compensated absences will be paid from general operating revenues of the water and sewer funds.

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General obligation bonds will be paid from tax revenues in the debt service fund. The governmental OPWC loan will be paid from the street improvement fund. Governmental compensated absences will be paid from fund from which the employees' salaries are paid, which is primarily the general, street, fire and cemetery funds.

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 2012 was \$6,037. The issuance costs of \$168,687 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 2012 was \$6,025.

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 <u>December 1</u>	Principal Amount <u>to be Redeemed</u>
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 <u>December 1</u>	Principal Amount <u>to be Redeemed</u>
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.

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

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

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

The term bonds that mature in fiscal year 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 2012, the accretion amount was \$15,695.

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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 \$4,201,039 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 38.48 percent. The total principal and interest remaining to be paid on the loans is 4,562,853. Principal and interest paid for the current year and total net revenues were \$772,580 and \$2,007,728 respectively.

On June 1, 2011, the City entered into an installment loan for \$9,950 with US Bank for two used police cars. The loan has three yearly installments of \$3,476 beginning in April 2012 with an interest rate of 2.49 percent. The final installment will be in April 2014.

In 2012 the City received loan proceeds from Ohio Public Works Commission (OPWC) for continuous street improvements. At the December 31, 2012 the City had drawn down \$67,711 of the \$70,311 loan. The loan has a zero interest rate. The final installment is due on January 1, 2023.

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
2013	\$ 12,481	\$ 19,271	\$ 110,000	\$ 149,212	\$ 0	\$ 0
2014	13,017	18,735	115,000	146,738	0	0
2015	13,576	18,176	120,000	143,863	0	0
2016	14,160	17,593	120,000	140,563	0	0
2017	14,768	16,985	0	136,962	8,770	116,230
2018-2022	83,916	74,847	390,000	670,562	10,886	239,114
2023-2027	103,553	55,210	750,000	555,088	0	0
2028-2032	127,787	30,977	920,000	385,025	0	0
2033-2037	73,276	4,677	1,150,000	159,750	0	0
Totals	\$ 456,534	\$ 256,471	\$ 3,675,000	\$ 2,487,763	\$ 19,656	\$ 355,344

Years	Police Car Loan		OPWC	Total		
	Principal	Interest	Principal	Years	Principal	Interest
2013	\$ 3,307	\$ 169	\$ 3,516	2013	\$ 129,304	\$ 168,652
2014	3,390	86	7,031	2014	138,438	165,559
2015	0	0	7,031	2015	140,607	162,039
2016	0	0	7,031	2016	141,191	158,156
2017	0	0	7,031	2017	30,569	270,177
2018-2022	0	0	35,155	2018-2022	519,957	984,523
2023-2027	0	0	916	2023-2027	854,469	610,298
2028-2032	0	0	0	2028-2032	1,047,787	416,002
2033-2037	0	0	0	2033-2037	1,223,276	164,427
Totals	\$ 6,697	\$ 255	\$ 67,711	Totals	\$4,225,598	\$3,099,833

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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
2013	\$ 233,000	\$ 27,594	\$ 400,178	\$ 104,228	\$ 9,223	\$ 642,401	\$ 131,822
2014	244,000	18,786	316,950	89,439	9,223	570,173	108,225
2015	253,000	9,564	301,842	76,669	9,223	564,065	86,233
2016	0	0	285,624	65,008	9,223	294,847	65,008
2017	0	0	297,209	53,423	9,223	306,432	53,423
2018-2022	0	0	289,706	184,570	36,892	326,598	184,570
2023-2027	0	0	181,305	150,870	0	181,305	150,870
2028-2032	0	0	218,533	113,646	0	218,533	113,646
2033-2037	0	0	263,400	68,776	0	263,400	68,776
2038-2041	0	0	215,940	16,586	0	215,940	16,586
Totals	<u>\$ 730,000</u>	<u>\$ 55,944</u>	<u>\$ 2,770,687</u>	<u>\$ 923,215</u>	<u>\$ 83,007</u>	<u>\$ 3,583,694</u>	<u>\$ 979,159</u>

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

In prior years the City entered into capitalized leases for the acquisition of a fire truck and two police cars. In 2012, the City acquired a new capital lease for two police cruisers and a back hoe. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the governmental activities in the amount of \$496,075, 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, 2012:

		Governmental Activities Capital Leases
Year Ending December 31:	2013	\$ 116,680
	2014	62,053
	2015	40,059
Minimum lease payments		<u>218,792</u>
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(15,079)</u>
Present value of minimum lease payments		<u>\$ 203,713</u>

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NOTE 16: INSURANCE AND RISK MANAGEMENT

Self Insurance

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

All funds of the City from which employee salaries are paid participate in the dental and vision insurance program and the deductible portion of the health insurance plan and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$553,177. The claims liability of \$4,906 reported in the Self-Insurance Fund at December 31, 2012 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the City's claims liability amount in during 2011 and 2012 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>
2012	\$ 8,330	\$ 483,222	\$ 486,646	\$ 4,906
2011	\$ 12,376	\$ 263,080	\$ 267,126	\$ 8,330

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 2010, 2011 and 2012.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2012, the City's share of these unpaid claims collectible in future years is approximately \$100,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2010	\$ 122,383
2011	107,242
2012	115,952

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 17: 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, 2012, there were three series of Revenue Bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of \$11,020,000 and \$1,765,000, respectively.

NOTE 18: 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, 2012.

NOTE 19: FUND BALANCE

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

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

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

	General Fund	Fire Fund	Street Improvement Fund	8th Street Reconstruction Fund	Other Governmental Funds	Total
Nonspendable for:						
Inventory	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,077	\$ 42,077
Prepays	6,386	828	0	0	3,021	10,235
Unclaimed Monies	37,129	0	0	0	0	37,129
Total Nonspendable	<u>43,515</u>	<u>828</u>	<u>0</u>	<u>0</u>	<u>45,098</u>	<u>89,441</u>
Restricted for:						
Capital Outlay	0	0	0	0	400,967	400,967
Motor Vehicle & Gasoline Tax	0	0	0	0	61,783	61,783
Street Improvement	0	0	964,779	0	0	964,779
Special Projects	0	0	0	0	573,284	573,284
Street	0	0	0	0	184,626	184,626
Municipal Court	0	0	0	0	111,003	111,003
FEMA	0	0	0	0	65,286	65,286
Northwood Cemetary	0	0	0	0	501,907	501,907
Other Purposes	0	0	0	0	591,615	591,615
Total Restricted	<u>0</u>	<u>0</u>	<u>964,779</u>	<u>0</u>	<u>2,490,471</u>	<u>3,455,250</u>
Committed for:						
Park Side Tasty Treat	0	0	0	0	1,616	1,616
Fire Capital Equipment	0	0	0	0	25,000	25,000
Capital Improvement	0	0	0	0	2,838	2,838
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,454</u>	<u>29,454</u>
Assigned for:						
Encumbrances						
General Government	5,496	0	0	0	0	5,496
Security of Persons & Property	4,492	0	0	0	0	4,492
Community Development	2,271	0	0	0	0	2,271
Leisure Time Activities	55,312	0	0	0	0	55,312
Other Purposes	152,831	0	0	0	0	152,831
Subsequent Year Appropriations	410,068	0	0	0	0	410,068
Total Assigned	<u>630,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>630,470</u>
Unassigned	<u>1,143,389</u>	<u>(17,082)</u>	<u>0</u>	<u>(10,913)</u>	<u>(56,823)</u>	<u>1,058,571</u>
Total Fund Balance	<u>\$ 1,817,374</u>	<u>\$ (16,254)</u>	<u>\$ 964,779</u>	<u>\$ (10,913)</u>	<u>\$ 2,508,200</u>	<u>\$ 5,263,186</u>

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2012VA-GENE-029	16.575	\$22,117
	2013VA-GENE-029		3,974
Total Crime Victim Assistance			<u>26,091</u>
<i>Direct Program:</i>			
ARRA - Public Safety Partnership and Community Policing Grants, Recovery Act	2009RKWX0675	16.710	61,602
Total U.S. Department of Justice			<u>87,693</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development:</i>			
<i>Community Development Block Grant/State's Program:</i>			
Community Development Program	A-F-11-2AS-1	14.228	71,710
Downtown Revitalization Program	A-T-09-2AS-1		72,033
Community Housing Improvement Program	A-C-09-2AS-1		2,000
Community Housing Improvement Program	A-C-11-2AS-1		13,209
Total Community Development Block Grant/State's Program			<u>158,952</u>
Home Investment Partnerships Program	A-C-09-2AS-2	14.239	2,000
	A-C-11-2AS-2		17,378
Total Home Investment Partnerships Program			<u>19,378</u>
Total U.S. Department of Housing and Urban Development			178,330
<u>U.S. Department of Transportation</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID85346	20.205	243,180
	PID81612		642,183
Total Highway Planning and Construction/U.S. Department of Transportation			<u>885,363</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program:</i>			
Assistance to Firefighters Grant	2012-M1-3007RG-1-4101-D	97.044	35,625
Total U.S. Department of Homeland Security			<u>35,625</u>
Total Federal Awards Expenditures			<u>\$1,187,011</u>

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

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by equipment.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$64,894
Loans made	0
Loan principal repaid	2,666
Ending loans receivable balance as of December 31, 2012	<u>\$62,228</u>
Cash balance on hand in the revolving loan fund as of December 31, 2012	\$87,273
Administrative costs expended during 2012	\$0

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2012, \$9,847 are more than 90 days past due.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 12, 2013, wherein we noted the City has adopted Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for The Major Federal Program

We have audited the City of Cambridge's, Guernsey County, Ohio (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2013

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Significant deficiency regarding the City's self-insurance plan.	No	Partially Corrected; Uncorrected portion is not currently material to the City and does not appear to have the potential to be material in the future, therefore, repeated in a separate letter to management.



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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
SEPTEMBER 26, 2013**