

CITY OF CAMBRIDGE
GUERNSEY COUNTY
SINGLE AUDIT
JANUARY 1, 2015 – DECEMBER 31, 2015





Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the City of Cambridge, Guernsey County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 27, 2016

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

City of Cambridge
Guernsey County
1131 Steubenville Ave
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, 2015, 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Newark, Ohio 43055
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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire 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 2V to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Also as disclosed in Note 2V, the City restated net position of governmental activities to properly report intergovernmental receivables. 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* and schedules of net pension liabilities and pension contributions, 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 and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate 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.

City of Cambridge
Guernsey County
Independent Auditor's Report

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 June 24, 2016, 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.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 24, 2016

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position increased \$1,878,211, which represents a 4 percent increase from 2014 (as restated). Net position of governmental activities decreased \$307,816. Net position of business-type activities increased \$2,186,027.
- Total capital assets increased \$1,188,905. Capital assets of governmental activities increased \$1,321,379 and capital assets of business-type activities decreased \$132,474.
- Outstanding debt decreased from \$6,640,243 to \$6,233,117 due to principal payments made during the year.
- The City implemented GASB 68, which reduced beginning net position as previously reported by \$7,932,338 and \$1,165,737 for governmental and business-type activities, respectively.

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 2015 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 and fire 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, 2015
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and deferred outflows of resources and *liabilities* and deferred inflows of resources 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 and fire fund.

Governmental Funds Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net 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, 2015
(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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	\$ 10,638,205	\$ 12,401,523	\$ 12,238,499	\$ 10,323,303	\$ 22,876,704	\$ 22,724,826
Net Pension Asset	4,215	1,149	2,062	562	6,277	1,711
Capital Assets	28,035,114	26,713,735	16,869,208	17,001,682	44,904,322	43,715,417
<i>Total Assets</i>	<u>38,677,534</u>	<u>39,116,407</u>	<u>29,109,769</u>	<u>27,325,547</u>	<u>67,787,303</u>	<u>66,441,954</u>
Deferred Outflows of Resources						
Pension	1,327,341	867,134	244,527	168,990	1,571,868	1,036,124
Liabilities						
Current and Other Liabilities	725,394	839,307	552,004	529,942	1,277,398	1,369,249
Long-Term Liabilities:						
Due Within One Year	674,617	449,646	303,113	580,486	977,730	1,030,132
Due in More Than One Year						
Net Pension Liability	9,250,236	8,800,621	1,366,145	1,335,289	10,616,381	10,135,910
Other Amounts	5,453,175	5,838,346	1,817,573	1,944,015	7,270,748	7,782,361
<i>Total Liabilities</i>	<u>16,103,422</u>	<u>15,927,920</u>	<u>4,038,835</u>	<u>4,389,732</u>	<u>20,142,257</u>	<u>20,317,652</u>
Deferred Inflows of Resources						
Property Taxes and Other	1,804,215	1,700,924	0	0	1,804,215	1,700,924
Pension	50,357	0	24,629	0	74,986	0
<i>Total Deferred Inflows of Resources</i>	<u>1,854,572</u>	<u>1,700,924</u>	<u>24,629</u>	<u>0</u>	<u>1,879,201</u>	<u>1,700,924</u>
Net Position						
Net Investment in Capital Assets	23,328,755	22,882,897	14,912,673	14,573,064	38,241,428	37,455,961
Restricted	3,770,685	3,918,975	0	0	3,770,685	3,918,975
Unrestricted	(5,052,559)	(4,447,175)	10,378,159	8,531,741	5,325,600	4,084,566
<i>Total Net Position</i>	<u>\$ 22,046,881</u>	<u>\$ 22,354,697</u>	<u>\$ 25,290,832</u>	<u>\$ 23,104,805</u>	<u>\$ 47,337,713</u>	<u>\$ 45,459,502</u>

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, when also considering the intergovernmental receivables restatement for governmental activities, from \$32,315,148 to \$22,354,697 for governmental activities and from \$24,270,542 to \$23,104,805 for business-type activities.

At year end, capital assets represented 66 percent of total assets. Capital assets include land, infrastructure, land improvements, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles and construction in progress. Net investment in capital assets was \$38,241,428 at December 31, 2015, with \$23,328,755 in governmental activities and \$14,912,673 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 and other assets increased \$151,878, of this amount \$1,763,318 is a decrease in governmental activities and \$1,915,196 is an increase in the business-type activities. There was a \$1,540,942 decrease in cash in governmental activities. This was mainly a result of the City borrowing money at the end of 2014 to be held for the purchase a new fire truck. This money was held with a trustee in 2014. On July 31, 2015 the fire truck was delivered and the money was transferred to the supplier. In the enterprise funds the increase in cash is mainly a result of the City selling water to the oil and gas business.

A portion of the City's net position, \$3,770,685 or 8 percent represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$5,325,600 may be used to meet the government's ongoing obligations to citizens and creditors.

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City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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Table 2 shows the changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,092,971	\$ 2,027,154	\$ 7,632,854	\$ 7,059,307	\$ 9,725,825	\$ 9,086,461
Operating Grants, Contributions and Interest	805,517	1,080,740	0	0	805,517	1,080,740
Capital Grants, Contributions and Interest	885,116	173,565	11,126	0	896,242	173,565
<i>General Revenues:</i>						
Property Taxes	1,800,758	1,592,972	0	0	1,800,758	1,592,972
Income Taxes	7,596,879	7,714,842	0	0	7,596,879	7,714,842
Other Taxes	337,391	642,445	0	0	337,391	642,445
Grants and Entitlements	391,631	279,061	0	0	391,631	279,061
Insurance Recoveries	0	6,623	0	0	0	6,623
Investment Earnings	38,161	22,885	182	138	38,343	23,023
Miscellaneous	95,982	156,626	23,608	21,660	119,590	178,286
<i>Total Revenues</i>	<u>14,044,406</u>	<u>13,696,913</u>	<u>7,667,770</u>	<u>7,081,105</u>	<u>21,712,176</u>	<u>20,778,018</u>
Program Expenses						
General Government	3,481,890	3,551,736	0	0	3,481,890	3,551,736
Security of Persons and Property	5,460,400	4,992,500	0	0	5,460,400	4,992,500
Public Health	384,953	340,130	0	0	384,953	340,130
Leisure Time Services	1,182,262	1,045,311	0	0	1,182,262	1,045,311
Community Development	642,918	423,335	0	0	642,918	423,335
Transportation	2,960,533	3,042,264	0	0	2,960,533	3,042,264
Interest and Fiscal Charges	239,266	195,386	0	0	239,266	195,386
<i>Enterprise Operations:</i>						
Water	0	0	2,764,437	2,858,308	2,764,437	2,858,308
Sewer	0	0	2,717,306	2,598,125	2,717,306	2,598,125
<i>Total Program Expenses</i>	<u>14,352,222</u>	<u>13,590,662</u>	<u>5,481,743</u>	<u>5,456,433</u>	<u>19,833,965</u>	<u>19,047,095</u>
<i>Change in Net Position</i>	(307,816)	106,251	2,186,027	1,624,672	1,878,211	1,730,923
<i>Net Position Beginning of Year</i>	<u>22,354,697</u>	<u>N/A</u>	<u>23,104,805</u>	<u>N/A</u>	<u>45,459,502</u>	<u>N/A</u>
<i>Net Position End of Year</i>	<u>\$ 22,046,881</u>	<u>\$ 22,354,697</u>	<u>\$ 25,290,832</u>	<u>\$ 23,104,805</u>	<u>\$ 47,337,713</u>	<u>\$ 45,459,502</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,036,124 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,086,411. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 14,352,222	\$ 5,481,743	\$ 19,833,965
Pension expense under GASB 68	(936,455)	(149,956)	(1,086,411)
2015 contractually required contribution	899,756	171,508	1,071,264
Adjusted 2015 program expenses	14,315,523	5,503,295	19,818,818
Total 2014 program expenses under GASB 27	13,590,662	5,456,433	19,047,095
Increase in program expenses not related to pension	\$ 724,861	\$ 46,862	\$ 771,723

Governmental Activities

Operating grants, contributions and interest decreased by \$275,223 due to the community development grants being completed in 2014. Capital grants, contributions and interest increased by \$711,551 primarily due to the ODOT grant for safe route to school project that was awarded in 2015. Other taxes which consists of bed tax decreased by \$305,054 due to the oil and gas workers completing their jobs in 2014. The City saw an increase in grants and entitlements mainly due to an increase in gas tax revenue received during 2015.

The \$219,583 increase in community development expense was primarily due to the timing of expenses related to multi-year grants from the U.S. Department of Housing and Urban Development.

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.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. 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 \$5,460,400 represents 38 percent of the total governmental activities expenses. The police department operates out of the general fund and the fire department operates out of the fire fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$2,960,533, or 21 percent of total governmental activities expenses, during 2015.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$1,567,215 in 2015 equaling 11 percent of the total governmental services expenses.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Business-Type Activities

Enterprise charges for services are up due to the oil and gas companies purchasing water for fracking.

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2015, charges for services of \$7,632,854 accounted for nearly 100 percent of the business type revenues. The total expenses for the utilities were \$5,481,743, thus leaving an increase in net position of \$2,186,027 for the business-type activities.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$14,515,570 and expenditures of \$16,097,470. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2015 was a decrease of \$475,870, mostly due to the six percent reallocation of income tax revenue distribution.

The fund balance of the fire fund decreased by \$54,620. This was mainly due to equipment purchases.

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 \$4,954,603 and the unrestricted net position of the sewer fund was \$5,353,307. The total growth in net position for both funds was \$1,904,075 and \$290,546, 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 2015, the City amended its general fund budget. 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 of \$7,625,638, including other financing sources, was \$73,049 lower compared to the final budget estimate of \$7,698,687. Most of this difference was attributable to budget income tax collections being over estimated compared to actual.

City of Cambridge
Guernsey County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Final expenditure appropriations and other financing uses of \$9,062,783 were \$846,165 higher than the actual expenditures and other financing uses of \$8,216,618. This is a result of an overestimation of general government and security of persons and property appropriations.

Original expenditure appropriations and other financing uses of \$8,943,740 were \$119,043 lower than the final expenditure appropriations and other financing uses of \$9,062,783.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had \$44,904,322 invested in capital assets. A total of \$28,035,114 of this was for governmental activities and \$16,869,208 being attributable to business-type activities. Table 3 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,490,923	\$ 2,350,321	\$ 201,041	\$ 201,041	\$ 2,691,964	\$ 2,551,362
Construction in Progress	1,043,134	727,520	268,077	79,435	1,311,211	806,955
Infrastructure	16,176,454	16,109,802	0	0	16,176,454	16,109,802
Land Improvements	30,310	34,268	0	0	30,310	34,268
Buildings	5,384,674	5,526,225	2,689,142	3,017,292	8,073,816	8,543,517
Improvements Other						
Than Buildings	643,445	705,382	5,817,273	6,007,627	6,460,718	6,713,009
Machinery and Equipment	506,824	609,828	507,461	459,913	1,014,285	1,069,741
Furniture and Fixtures	26,407	29,394	81,501	104,787	107,908	134,181
Vehicles	1,732,943	620,995	85,557	86,742	1,818,500	707,737
Water Lines	0	0	3,980,687	4,068,627	3,980,687	4,068,627
Sewers Lines	0	0	3,238,469	2,976,218	3,238,469	2,976,218
Total	\$ 28,035,114	\$ 26,713,735	\$ 16,869,208	\$ 17,001,682	\$ 44,904,322	\$ 43,715,417

The \$1,321,379 increase in capital assets of governmental activities was attributable to current year purchases exceeding depreciation. The \$132,474 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, 2015
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2015 was \$6,233,117. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 3,612,861	\$ 3,697,069	\$ 0	\$ 0	\$ 3,612,861	\$ 3,697,069
Mortgage Revenue Bonds	0	0	0	263,000	0	263,000
OPWC Loans	49,218	56,249	55,338	64,561	104,556	120,810
OWDA Loans	0	0	1,900,306	2,053,557	1,900,306	2,053,557
Loan Payable	197,935	74,772	0	0	197,935	74,772
Accrued Pension Liability	417,459	431,035	0	0	417,459	431,035
<i>Total</i>	\$ 4,277,473	\$ 4,259,125	\$ 1,955,644	\$ 2,381,118	\$ 6,233,117	\$ 6,640,243

Economic Factors

The last three years of local economic growth has slowed as the drilling of new wells and the installation of pipeline to serve these wells has been stalled due to the low cost of oil. Cambridge is fortunate to be still diversified and the main business hub for many types of business activity. As such, there is still some positive pressure on real estate, hotels and general commercial services. The City does not benefit directly from the sales tax, but we do see a growth in the number of people employed in and around the City. The general positive commerce benefits our water and sewer funds as the use of utilities increase on both the residential, commercial and industrial areas.

We are continuing to pursue grant funding to minimize the cost of capital project. We have several projects under construction, improvements at the WPCC, annual street resurfacing, and the reconstruction of Oakland Boulevard. Other projects in the planning stage safe routes to school, Clark Street reconstruction 2019, Dewey Ave decorative gateway 2018 and several waterline replacements to be done in the next year.

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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 4,957,255	\$ 10,471,187	\$ 15,428,442
Cash and Investments in Segregated Accounts	536,464	0	536,464
Accounts Receivable	95,313	1,453,578	1,548,891
Intergovernmental Receivable	659,597	0	659,597
Taxes Receivable	4,360,793	0	4,360,793
Special Assessments Receivable	32,958	0	32,958
Loans Receivable	45,560	0	45,560
Internal Balances	(70,249)	70,249	0
Prepaid Items	15,068	13,332	28,400
Materials and Supplies Inventory	5,446	34,471	39,917
Restricted Assets:			
Equity in Pooled Cash and Investments	0	195,682	195,682
Net Pension Asset (See Note 10)	4,215	2,062	6,277
Non-Depreciable Capital Assets	3,534,057	469,118	4,003,175
Depreciable Capital Assets, Net	24,501,057	16,400,090	40,901,147
<i>Total Assets</i>	<u>38,677,534</u>	<u>29,109,769</u>	<u>67,787,303</u>
Deferred Outflows of Resources			
Pension	1,327,341	244,527	1,571,868
Liabilities			
Accounts Payable	75,527	164,971	240,498
Accrued Wages	287,336	78,558	365,894
Contracts Payable	8,993	891	9,884
Intergovernmental Payable	132,931	33,383	166,314
Accrued Interest Payable	14,976	0	14,976
Claims Payable	7,315	0	7,315
Accrued Vacation Leave Payable	198,316	78,519	276,835
Customer Deposits Payable	0	195,682	195,682
Long-Term Liabilities:			
Due Within One Year	674,617	303,113	977,730
Due in More Than One Year:			
Net Pension Liability (See Note 10)	9,250,236	1,366,145	10,616,381
Other Amounts Due in More Than One Year	5,453,175	1,817,573	7,270,748
<i>Total Liabilities</i>	<u>16,103,422</u>	<u>4,038,835</u>	<u>20,142,257</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,804,215	0	1,804,215
Pension	50,357	24,629	74,986
<i>Total Deferred Inflows of Resources</i>	<u>1,854,572</u>	<u>24,629</u>	<u>1,879,201</u>
Net Position			
Net Investment in Capital Assets	23,328,755	14,912,673	38,241,428
Restricted For:			
Debt Service	61,299	0	61,299
Capital Outlay	225,549	0	225,549
Other Purposes	3,483,837	0	3,483,837
Unrestricted	(5,052,559)	10,378,159	5,325,600
<i>Total Net Position</i>	<u>\$ 22,046,881</u>	<u>\$ 25,290,832</u>	<u>\$ 47,337,713</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,481,890	\$ 1,402,970	\$ 57,258	\$ 0	\$ (2,021,662)	\$ 0	\$ (2,021,662)
Security of Persons and Property	5,460,400	266,417	157,830	0	(5,036,153)	0	(5,036,153)
Public Health	384,953	142,486	735	0	(241,732)	0	(241,732)
Leisure Time Services	1,182,262	269,165	23,877	0	(889,220)	0	(889,220)
Community Development	642,918	2,550	8,225	921	(631,222)	0	(631,222)
Transportation	2,960,533	9,383	557,592	884,195	(1,509,363)	0	(1,509,363)
Interest and Fiscal Charges	239,266	0	0	0	(239,266)	0	(239,266)
<i>Total Governmental Activities</i>	<u>14,352,222</u>	<u>2,092,971</u>	<u>805,517</u>	<u>885,116</u>	<u>(10,568,618)</u>	<u>0</u>	<u>(10,568,618)</u>
Business-Type Activities							
Water	2,764,437	4,638,774	0	11,126	0	1,885,463	1,885,463
Sewer	2,717,306	2,994,080	0	0	0	276,774	276,774
<i>Total Business-Type Activities</i>	<u>5,481,743</u>	<u>7,632,854</u>	<u>0</u>	<u>11,126</u>	<u>0</u>	<u>2,162,237</u>	<u>2,162,237</u>
<i>Total Primary Government</i>	<u>\$ 19,833,965</u>	<u>\$ 9,725,825</u>	<u>\$ 805,517</u>	<u>\$ 896,242</u>	<u>(10,568,618)</u>	<u>2,162,237</u>	<u>(8,406,381)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					287,667	0	287,667
Police and Fire Pension					74,534	0	74,534
Fire					1,438,557	0	1,438,557
Income Taxes Levied for:							
General Purposes					5,293,587	0	5,293,587
Street Department					568,507	0	568,507
Fire Department					597,783	0	597,783
Street Improvements					1,137,002	0	1,137,002
Hotel Lodging Tax					337,391	0	337,391
Grants and Entitlements not Restricted to Specific Programs					391,631	0	391,631
Investment Earnings					38,161	182	38,343
Miscellaneous					95,982	23,608	119,590
<i>Total General Revenues</i>					<u>10,260,802</u>	<u>23,790</u>	<u>10,284,592</u>
<i>Change in Net Position</i>					(307,816)	2,186,027	1,878,211
<i>Net Position Beginning of Year (Restated, See Note 2V)</i>					<u>22,354,697</u>	<u>23,104,805</u>	<u>45,459,502</u>
<i>Net Position End of Year</i>					<u>\$ 22,046,881</u>	<u>\$ 25,290,832</u>	<u>\$ 47,337,713</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 1,398,397	\$ 246,785	\$ 3,312,073	\$ 4,957,255
Cash and Investments in Segregated Accounts	28,070	0	201,045	229,115
Accounts Receivable	65,901	0	29,412	95,313
Intergovernmental Receivable	204,593	41,851	413,153	659,597
Taxes Receivable	1,894,687	1,889,049	577,057	4,360,793
Special Assessments Receivable	0	0	32,958	32,958
Loans Receivable	0	0	45,560	45,560
Prepaid Items	11,219	828	3,021	15,068
Materials and Supplies Inventory	0	0	5,446	5,446
<i>Total Assets</i>	<u>\$ 3,602,867</u>	<u>\$ 2,178,513</u>	<u>\$ 4,619,725</u>	<u>\$ 10,401,105</u>
Liabilities				
Accounts Payable	\$ 50,419	\$ 10,077	\$ 15,031	\$ 75,527
Accrued Wages	187,848	67,404	32,084	287,336
Contracts Payable	0	0	8,993	8,993
Intergovernmental Payable	84,363	35,643	12,925	132,931
<i>Total Liabilities</i>	<u>322,630</u>	<u>113,124</u>	<u>69,033</u>	<u>504,787</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	295,139	1,427,466	81,610	1,804,215
Unavailable Revenue	520,185	401,386	487,720	1,409,291
<i>Total Deferred Inflows of Resources</i>	<u>815,324</u>	<u>1,828,852</u>	<u>569,330</u>	<u>3,213,506</u>
Fund Balances				
Nonspendable	38,559	828	8,467	47,854
Restricted	0	235,709	3,909,143	4,144,852
Committed	0	0	69,179	69,179
Assigned	1,364,257	0	0	1,364,257
Unassigned	1,062,097	0	(5,427)	1,056,670
<i>Total Fund Balances</i>	<u>2,464,913</u>	<u>236,537</u>	<u>3,981,362</u>	<u>6,682,812</u>
<i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i>	<u>\$ 3,602,867</u>	<u>\$ 2,178,513</u>	<u>\$ 4,619,725</u>	<u>\$ 10,401,105</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, 2015

Total Governmental Fund Balances		\$ 6,682,812
<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.		28,035,114
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	\$ 428,811	
Income Taxes	484,727	
Intergovernmental	462,795	
Special Assessments	32,958	1,409,291
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.		229,785
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(14,976)
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	4,215	
Deferred Outflows - Pension	1,327,341	
Deferred Inflows - Pension	(50,357)	
Net Pension Liability	(9,250,236)	(7,969,037)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,330,000)	
Capital Appreciation Bonds	(19,656)	
Bond Accretion	(130,397)	
Unamortized Bond Premium	(132,808)	
Installment Loan	(197,935)	
OPWC Loan	(49,218)	
Accrued Pension Liability	(417,459)	
Capital Leases	(1,016,967)	
Accrued Vacation Leave Payable	(198,316)	
Compensated Absences	(833,352)	(6,326,108)
 <i>Net Position of Governmental Activities</i>		 \$ 22,046,881

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, 2015

	General Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 318,844	\$ 1,521,949	\$ 82,668	\$ 1,923,461
Income Taxes	5,322,961	567,498	1,705,245	7,595,704
Other Local Taxes	337,391	0	0	337,391
Special Assessments	0	0	13,536	13,536
Charges for Services	229,020	172,652	214,331	616,003
Licenses and Permits	134,752	0	7,467	142,219
Fines and Forfeitures	544,862	0	510,017	1,054,879
Intergovernmental	662,581	88,242	1,905,605	2,656,428
Interest	37,428	0	8,366	45,794
Rent	10,296	0	0	10,296
Contributions and Donations	23,877	0	0	23,877
Other	27,148	10,220	58,614	95,982
<i>Total Revenues</i>	<u>7,649,160</u>	<u>2,360,561</u>	<u>4,505,849</u>	<u>14,515,570</u>
Expenditures				
Current:				
General Government	3,224,846	0	208,063	3,432,909
Security of Persons and Property	2,934,500	2,072,680	228,039	5,235,219
Public Health	0	0	353,037	353,037
Leisure Time Services	911,453	0	79,661	991,114
Community Development	303,302	0	352,990	656,292
Transportation	135,000	0	2,324,712	2,459,712
Capital Outlay	116,672	269,190	1,902,993	2,288,855
Debt Service:				
Principal Retirement	58,945	58,854	359,431	477,230
Interest and Fiscal Charges	15,636	14,457	173,009	203,102
<i>Total Expenditures</i>	<u>7,700,354</u>	<u>2,415,181</u>	<u>5,981,935</u>	<u>16,097,470</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(51,194)</u>	<u>(54,620)</u>	<u>(1,476,086)</u>	<u>(1,581,900)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	76,600	0	115,822	192,422
Proceeds from Loan	0	0	140,602	140,602
Transfers In	186,405	0	687,681	874,086
Transfers Out	(687,681)	0	(186,405)	(874,086)
<i>Total Other Financing Sources (Uses)</i>	<u>(424,676)</u>	<u>0</u>	<u>757,700</u>	<u>333,024</u>
<i>Net Change in Fund Balance</i>	<u>(475,870)</u>	<u>(54,620)</u>	<u>(718,386)</u>	<u>(1,248,876)</u>
<i>Fund Balance Beginning of Year</i>	<u>2,940,783</u>	<u>291,157</u>	<u>4,699,748</u>	<u>7,931,688</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,464,913</u>	<u>\$ 236,537</u>	<u>\$ 3,981,362</u>	<u>\$ 6,682,812</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, 2015*

Net Change in Fund Balances - Total Governmental Funds		\$ (1,248,876)
<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.		
Capital Asset Additions	\$ 2,984,814	
Current Year Depreciation	<u>(1,648,361)</u>	1,336,453
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(15,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(122,703)	
Income Taxes	1,175	
Special Assessments	(10,986)	
Intergovernmental	<u>(339,383)</u>	(471,897)
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	120,000	
Accrued Pension Liability	13,576	
OPWC Loan	7,031	
Installment Loans	17,439	
Capital Leases	<u>319,184</u>	477,230
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Installment Loan	(140,602)	
Capital Leases Payable	<u>(192,422)</u>	(333,024)
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		6,037
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		899,756
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(936,455)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(372)
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.		
		(26,483)
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	(5,068)	
Compensated Absences	<u>51,786</u>	46,718
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>(41,829)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ (307,816)</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 284,275	\$ 284,275	\$ 318,844	\$ 34,569
Income Taxes	5,725,000	5,725,000	5,318,719	(406,281)
Other Local Taxes	450,000	450,000	380,395	(69,605)
Charges for Services	10,000	10,000	40,154	30,154
Licenses and Permits	131,000	131,000	133,885	2,885
Fines and Forfeitures	550,100	550,100	547,501	(2,599)
Intergovernmental	463,351	463,351	601,897	138,546
Interest	18,000	18,000	37,428	19,428
Rent	15,000	15,000	10,296	(4,704)
Other	10,200	51,961	22,714	(29,247)
<i>Total Revenues</i>	<u>7,656,926</u>	<u>7,698,687</u>	<u>7,411,833</u>	<u>(286,854)</u>
Expenditures				
Current:				
General Government	3,409,724	3,450,348	3,313,594	136,754
Security of Persons and Property	3,195,224	3,202,423	2,957,514	244,909
Leisure Time Services	741,081	741,081	700,051	41,030
Community Development	303,510	303,510	303,125	385
Capital Outlay	25,000	46,500	40,072	6,428
Debt Service:				
Principal Retirement	58,945	58,945	58,945	0
Interest and Fiscal Charges	15,636	15,636	15,636	0
<i>Total Expenditures</i>	<u>7,749,120</u>	<u>7,818,443</u>	<u>7,388,937</u>	<u>429,506</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(92,194)</u>	<u>(119,756)</u>	<u>22,896</u>	<u>142,652</u>
Other Financing Sources (Uses)				
Transfers In	0	0	213,805	213,805
Transfers Out	(1,194,620)	(1,244,340)	(827,681)	416,659
<i>Total Other Financing Sources (Uses)</i>	<u>(1,194,620)</u>	<u>(1,244,340)</u>	<u>(613,876)</u>	<u>630,464</u>
<i>Net Change in Fund Balance</i>	<u>(1,286,814)</u>	<u>(1,364,096)</u>	<u>(590,980)</u>	<u>773,116</u>
<i>Fund Balance Beginning of Year</i>	1,648,636	1,648,636	1,648,636	0
Prior Year Encumbrances Appropriated	85,650	85,650	85,650	0
<i>Fund Balance End of Year</i>	<u>\$ 447,472</u>	<u>\$ 370,190</u>	<u>\$ 1,143,306</u>	<u>\$ 773,116</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 1,404,909	\$ 1,404,909	\$ 1,521,949	\$ 117,040
Income Taxes	475,000	475,000	465,950	(9,050)
Charges for Services	172,652	172,652	172,652	0
Intergovernmental	81,315	81,315	91,444	10,129
Rent	100	100	0	(100)
Other	33,585	41,577	10,312	(31,265)
<i>Total Revenues</i>	<u>2,167,561</u>	<u>2,175,553</u>	<u>2,262,307</u>	<u>86,754</u>
Expenditures				
Current:				
Security of Persons and Property	2,181,317	2,189,309	2,087,025	102,284
Capital Outlay	10,000	10,000	4,943	5,057
Debt Service:				
Principal Retirement	58,554	58,854	58,854	0
Interest and Fiscal Charges	15,085	15,085	14,457	628
<i>Total Expenditures</i>	<u>2,264,956</u>	<u>2,273,248</u>	<u>2,165,279</u>	<u>107,969</u>
<i>Net Change in Fund Balance</i>	(97,395)	(97,695)	97,028	194,723
<i>Fund Balance Beginning of Year</i>	101,998	101,998	101,998	0
Prior Year Encumbrances Appropriated	35,972	35,972	35,972	0
<i>Fund Balance End of Year</i>	<u>\$ 40,575</u>	<u>\$ 40,275</u>	<u>\$ 234,998</u>	<u>\$ 194,723</u>

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 4,878,314	\$ 5,592,873	\$ 10,471,187	\$ 0
Cash and Investments in Segregated Accounts	0	0	0	307,349
Accounts Receivable	815,504	638,074	1,453,578	0
Prepaid Items	6,666	6,666	13,332	0
Materials and Supplies Inventory	25,821	8,650	34,471	0
<i>Total Current Assets</i>	<u>5,726,305</u>	<u>6,246,263</u>	<u>11,972,568</u>	<u>307,349</u>
<i>Non-Current Assets:</i>				
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Investments	195,682	0	195,682	0
Non-Depreciable Capital Assets	142,529	326,589	469,118	0
Depreciable Capital Assets, Net	6,783,106	9,616,984	16,400,090	0
Net Pension Asset (see Note 10)	1,042	1,020	2,062	0
<i>Total Non-Current Assets</i>	<u>7,122,359</u>	<u>9,944,593</u>	<u>17,066,952</u>	<u>0</u>
<i>Total Assets</i>	<u>12,848,664</u>	<u>16,190,856</u>	<u>29,039,520</u>	<u>307,349</u>
Deferred Outflows of Resources				
Pension	123,541	120,986	244,527	0
<i>Total Assets and Deferred Outflow of Resources</i>	<u>12,972,205</u>	<u>16,311,842</u>	<u>29,284,047</u>	<u>307,349</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	18,813	146,158	164,971	0
Accrued Wages	39,778	38,780	78,558	0
Contracts Payable	0	891	891	0
Intergovernmental Payable	16,800	16,583	33,383	0
Accrued Vacation Leave Payable	39,473	39,046	78,519	0
Claims Payable	0	0	0	7,315
Customer Deposits Payable	195,682	0	195,682	0
Compensated Absences Payable	5,428	2,838	8,266	0
OPWC Loan Payable	9,223	0	9,223	0
OWDA Loans Payable	285,624	0	285,624	0
<i>Total Current Liabilities</i>	<u>610,821</u>	<u>244,296</u>	<u>855,117</u>	<u>7,315</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	73,342	83,434	156,776	0
OPWC Loan Payable - Net of Current Portion	46,115	0	46,115	0
OWDA Loans Payable - Net of Current Portion	1,466,091	148,591	1,614,682	0
Net Pension Liability (See Note 10)	690,208	675,937	1,366,145	0
<i>Total Long-Term Liabilities</i>	<u>2,275,756</u>	<u>907,962</u>	<u>3,183,718</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,886,577</u>	<u>1,152,258</u>	<u>4,038,835</u>	<u>7,315</u>
Deferred Inflows of Resources				
Pension	12,443	12,186	24,629	0
Net Position				
Net Investment in Capital Assets	5,118,582	9,794,091	14,912,673	0
Unrestricted	4,954,603	5,353,307	10,307,910	300,034
<i>Total Net Position</i>	<u>\$ 10,073,185</u>	<u>\$ 15,147,398</u>	<u>25,220,583</u>	<u>\$ 300,034</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	70,249
	<u>\$ 25,290,832</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, 2015

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$ 4,638,774	\$ 2,994,080	\$ 7,632,854	\$ 359,759
Other	13,957	9,651	23,608	0
<i>Total Operating Revenues</i>	<u>4,652,731</u>	<u>3,003,731</u>	<u>7,656,462</u>	<u>359,759</u>
Operating Expenses				
Personal Services	1,115,321	1,098,240	2,213,561	0
Contractual Services	251,664	589,546	841,210	10,279
Materials and Supplies	838,642	626,341	1,464,983	0
Claims	0	0	0	385,290
Depreciation	469,126	398,712	867,838	0
<i>Total Operating Expenses</i>	<u>2,674,753</u>	<u>2,712,839</u>	<u>5,387,592</u>	<u>395,569</u>
<i>Operating Income (Loss)</i>	<u>1,977,978</u>	<u>290,892</u>	<u>2,268,870</u>	<u>(35,810)</u>
Non-Operating Revenues (Expense)				
Interest	0	182	182	733
Interest and Fiscal Charges	(85,029)	(528)	(85,557)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(85,029)</u>	<u>(346)</u>	<u>(85,375)</u>	<u>733</u>
<i>Income (Loss) Before Capital Contributions</i>	1,892,949	290,546	2,183,495	(35,077)
Capital Contributions	11,126	0	11,126	0
<i>Change in Net Position</i>	1,904,075	290,546	2,194,621	(35,077)
<i>Net Position Beginning of Year (Restated, See Note 2V)</i>	<u>8,169,110</u>	<u>14,856,852</u>		<u>335,111</u>
<i>Net Position End of Year</i>	<u>\$ 10,073,185</u>	<u>\$ 15,147,398</u>		<u>\$ 300,034</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			(8,594)	
Changes in Net Position of Business-Type Activities			<u>\$ 2,186,027</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, 2015

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Totals	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 4,558,202	\$ 2,961,011	\$ 7,519,213	\$ 359,759
Cash Received from Other Operating Receipts	12,923	8,970	21,893	0
Cash Payments to Suppliers for Goods and Services	(858,325)	(639,762)	(1,498,087)	0
Cash Payments to Employees for Services and Benefits	(1,117,477)	(1,113,721)	(2,231,198)	0
Cash Payments for Contractual Services	(268,487)	(468,624)	(737,111)	(10,279)
Cash Payments for Claims	0	0	0	(382,523)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,326,836</u>	<u>747,874</u>	<u>3,074,710</u>	<u>(33,043)</u>
Cash Flows from Noncapital Financing Activities				
Advances In	635	635	1,270	0
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Revenue	11,126	0	11,126	0
Proceeds of OWDA Loans	0	148,591	148,591	0
Payment for Capital Acquisitions	(214,635)	(567,338)	(781,973)	0
Principal Payments on Debt	(546,714)	(27,351)	(574,065)	0
Interest Payments on Debt	(85,826)	(528)	(86,354)	0
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(836,049)</u>	<u>(446,626)</u>	<u>(1,282,675)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	0	182	182	733
<i>Net Increase (Decrease) in Cash and Investments</i>	1,491,422	302,065	1,793,487	(32,310)
<i>Cash and Investments Beginning of Year</i>	<u>3,582,574</u>	<u>5,290,808</u>	<u>8,873,382</u>	<u>339,659</u>
<i>Cash and Investments End of Year</i>	<u>\$ 5,073,996</u>	<u>\$ 5,592,873</u>	<u>\$ 10,666,869</u>	<u>\$ 307,349</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 1,977,978	\$ 290,892	\$ 2,268,870	\$ (35,810)
Adjustments:				
Depreciation	469,126	398,712	867,838	0
(Increase) Decrease in Assets:				
Accounts Receivable	(81,606)	(33,750)	(115,356)	0
Prepaid Items	1,101	(709)	392	0
Deferred Outflows - Pension	(38,163)	(37,374)	(75,537)	0
Net Pension Asset	(758)	(742)	(1,500)	0
Materials and Supplies Inventory	(7,959)	(8,650)	(16,609)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(32,487)	116,860	84,373	0
Accrued Wages	218	3,089	3,307	0
Claims Payable	0	0	0	2,767
Customer Deposits Payable	2,839	0	2,839	0
Net Pension Liability	15,589	15,267	30,856	0
Deferred Inflows - Pension	12,443	12,186	24,629	0
Accrued Vacation Leave Payable	7,429	(3,437)	3,992	0
Compensated Absences Payable	16,168	5,491	21,659	0
Intergovernmental Payable	(15,082)	(9,961)	(25,043)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 2,326,836</u>	<u>\$ 747,874</u>	<u>\$ 3,074,710</u>	<u>\$ (33,043)</u>

Noncash Capital Financing Activities:

The City purchased \$891 and \$47,500 of capital assets on account in 2015 and 2014, respectively.

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash and Investments	\$ 0	\$ 9,572
Cash and Investments in Segregated Accounts	48,621	157,499
Accounts Receivable	0	3,805
<i>Total Assets</i>	48,621	\$ 170,876
Liabilities		
Due to Others	0	\$ 161,304
Undistributed Monies	0	9,572
<i>Total Liabilities</i>	0	\$ 170,876
Net Position		
Held in Trust for Private Purposes	\$ 48,621	

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, 2015

	Private Purpose Trust
Deductions	
Payments in Accordance with Trust Agreements	\$ 200
<i>Change in Net Position</i>	(200)
<i>Net Position Beginning of Year</i>	48,821
<i>Net Position End of Year</i>	\$ 48,621

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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, 2015

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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police and fire protection, water, sewer, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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 27 percent of the funds received by the Authority in 2015; 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, 2015

South East Area Transit – The South East Area Transit (SEAT) was created pursuant to state statute in 1979. SEAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SEAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SEAT is limited to a ten member board comprised of seven individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, one person appointed by the Guernsey County Commissioners and one person appointed by the Mayor of Cambridge. The continued existence of the Authority is not dependent on the City’s continued participation and the City has no equity interest in or financial responsibility for the Authority.

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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred in flow of resources 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.

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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Fiduciary Funds Fiduciary fund reporting focuses on net 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 deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities deferred inflows of resources 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 position. 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. Agency funds do not report a measurement focus.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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 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 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 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 Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

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 Investments

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

During 2015 the City invested in federal agency securities and certificates of deposits.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$37,428, which includes \$31,959 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 investments in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, "Deposits and Investments."

City of Cambridge
Guernsey County, Ohio
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For the Year Ended December 31, 2015

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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.

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 for all capital assets except \$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:

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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 - 20 Years	N/A
Buildings	5 - 50 Years	15 - 25 Years
Improvements Other Than Buildings	15 - 25 Years	25 - 65 Years
Machinery and Equipment	5 - 25 Years	5 - 25 Years
Furniture and Fixtures	10 - 15 Years	5 - 15 Years
Vehicles	5 - 20 Years	5 - 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.

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.

City of Cambridge
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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 net pension liability 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. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2015, \$198,105 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.

O. 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, 2015

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.

P. 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.

Q. Interfund Activity

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

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

City of Cambridge
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

R. 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 2015.

S. 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.

T. 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.

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, of grants or outside contributions of resources restricted to capital acquisition and construction.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

V. Implementation of New Accounting Principles and Restatement of Net Position

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position and fund balance as previously reported.

It has been determined an ODOT grant that was awarded in the prior year was a reimbursable grant. In 2014, it was reported as a non-reimbursable grant, resulting in an overstatement of intergovernmental receivable and revenue on the full accrual basis.

	Governmental Activities	Business-Type Activities	Enterprise Funds	
			Water	Sewer
Net Position December 31, 2014	\$ 32,315,148	\$ 24,270,542	\$ 8,758,067	\$ 15,433,632
Adjustments:				
Intergovernmental Receivable	(2,028,113)	0	0	0
Net Pension Asset	1,149	562	284	278
Net Pension Liability	(8,800,621)	(1,335,289)	(674,619)	(660,670)
Deferred Outflow - Payments				
Subsequent to Measurement Date	<u>867,134</u>	<u>168,990</u>	<u>85,378</u>	<u>83,612</u>
Restated Net Position, January 1, 2015	<u>\$ 22,354,697</u>	<u>\$ 23,104,805</u>	<u>\$ 8,169,110</u>	<u>\$ 14,856,852</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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).
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 and fire funds.

Net Change in Fund Balance

	General	Fire
GAAP Basis	\$ (475,870)	\$ (54,620)
Revenue Accruals	72,453	(98,254)
Expenditure Accruals	(140,413)	261,688
Encumbrances	(59,951)	(11,786)
Funds Budgeted Elsewhere**	12,801	0
Budget Basis	\$ (590,980)	\$ 97,028

** 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.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
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NOTE 4: ACCOUNTABILITY

The following funds had deficit balances as of December 31, 2015:

	<u>Deficit Fund Balance</u>
Non-Major Funds:	
Victims of Crime Act (VOCA) Grant	\$ 8
Cemetery	5,419

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

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guarantee as to principal or interest by the United States;
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.

City of Cambridge
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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 and STAR Plus).
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 2015, 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.

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At year-end, the carrying amount of the City's deposits was \$13,801,799. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of December 31, 2015, \$11,361,660 of the City's bank balance of \$14,276,208 was exposed to custodial credit risk as discussed above, while \$2,914,548 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2015, the City had the following investment and maturity:

	<u>Fair Value</u>	<u>Maturities</u>		<u>Percent of Total Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
		<u>12-36 Months</u>	<u>36-60 Months</u>			
Federal Home Loan Mortgage	\$ 898,645	\$ 898,645	\$ 0	34.9%	Aaa	Moody's
First American Government Obligations	75,584	75,584	0	2.9%	AAAm	S&P
Federal Farm Credit Bank	250,388	0	250,388	9.7%	Aaa	Moody's
Federal National Mortgage Association MTN	349,234	349,234	0	13.6%	Aaa	Moody's
Federal National Mortgage Association	1,000,630	0	1,000,630	38.9%	Aaa	Moody's
Total Investments	\$ 2,574,481	\$ 1,323,463	\$ 1,251,018	100.0%		

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

Credit Risk The City has no investment policy that addresses credit risk beyond the requirements of State statute. All federal agency bonds and notes had a rating of AA+ from Standard & Poor's.

Concentration of Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2015.

Custodial Credit Risk For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the City will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

City of Cambridge
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$13.70 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 138,497,940
Public Utilities	8,662,120
Total Assessed Value	\$ 147,160,060

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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, 2015 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of \$45,560. 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 appropriable for expenditures, or is legally segregated for specific use.

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
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NOTE 8: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2015:

Fund	Transfers In	Transfers Out
General Fund	\$ 186,405	\$ 687,681
Non-Major Governmental Funds:		
Code Violations	6,500	0
Street Maintenance and Repair	10,000	0
Fire Grant	1,600	0
Public Land Capital Improvement	449,581	0
Municipal Court Capital Fund	0	186,405
Cemetery	220,000	0
Total Non-Major Governmental Funds	687,681	186,405
Total All Funds	\$ 874,086	\$ 874,086

The Municipal Court Capital Fund transferred \$186,405 to the General Fund per court order. The remaining transfers from the General Fund to the various other non-major funds were to provide additional resources for current operations.

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City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2015 follows:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,350,321	\$ 140,602	\$ 0	\$ 2,490,923
Construction in Progress	727,520	1,364,671	(1,049,057)	1,043,134
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,077,841</u>	<u>1,505,273</u>	<u>(1,049,057)</u>	<u>3,534,057</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	121,584	0	0	121,584
Buildings	7,382,119	30,901	(7,640)	7,405,380
Improvements Other Than Buildings	2,191,935	38,936	0	2,230,871
Machinery and Equipment	2,755,076	55,691	(461,992)	2,348,775
Furniture and Fixtures	69,848	0	0	69,848
Vehicles	1,223,280	1,354,013	(57,595)	2,519,698
Infrastructure	24,513,741	1,049,057	0	25,562,798
<i>Total Capital Assets, Being Depreciated</i>	<u>38,257,583</u>	<u>2,528,598</u>	<u>(527,227)</u>	<u>40,258,954</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(87,316)	(3,958)	0	(91,274)
Buildings	(1,855,894)	(172,452)	7,640	(2,020,706)
Improvements Other Than Buildings	(1,486,553)	(100,873)	0	(1,587,426)
Machinery and Equipment	(2,145,248)	(147,041)	450,338	(1,841,951)
Furniture and Fixtures	(40,454)	(2,987)	0	(43,441)
Vehicles	(602,285)	(238,645)	54,175	(786,755)
Infrastructure	(8,403,939)	(982,405)	0	(9,386,344)
<i>Total Accumulated Depreciation</i>	<u>(14,621,689)</u>	<u>(1,648,361) *</u>	<u>512,153</u>	<u>(15,757,897)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>23,635,894</u>	<u>880,237</u>	<u>(15,074)</u>	<u>24,501,057</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 26,713,735</u>	<u>\$ 2,385,510</u>	<u>\$ (1,064,131)</u>	<u>\$ 28,035,114</u>

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*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 118,488
Leisure Time Services	215,906
Security of Persons and Property	241,586
Transportation	1,051,523
Community and Economic Development	703
Public Health	<u>20,155</u>
 Total	 <u><u>\$ 1,648,361</u></u>

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
Construction in progress	79,435	526,454	(337,812)	268,077
<i>Total Capital Assets Not Being Depreciated</i>	<u>280,476</u>	<u>526,454</u>	<u>(337,812)</u>	<u>469,118</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	10,220,444	28,850	0	10,249,294
Improvements Other Than Buildings	9,727,875	0	0	9,727,875
Machinery and Equipment	1,490,203	152,517	0	1,642,720
Furniture and Fixtures	151,021	0	0	151,021
Vehicles	558,175	27,543	0	585,718
Water Lines	5,865,182	0	0	5,865,182
Sewer Lines	5,780,498	337,812	0	6,118,310
<i>Total Capital Assets, Being Depreciated</i>	<u>33,793,398</u>	<u>546,722</u>	<u>0</u>	<u>34,340,120</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(7,203,152)	(357,000)	0	(7,560,152)
Improvements Other Than Buildings	(3,720,248)	(190,354)	0	(3,910,602)
Machinery and Equipment	(1,030,290)	(104,969)	0	(1,135,259)
Furniture and Fixtures	(46,234)	(23,286)	0	(69,520)
Vehicles	(471,433)	(28,728)	0	(500,161)
Water Lines	(1,796,555)	(87,940)	0	(1,884,495)
Sewer Lines	(2,804,280)	(75,561)	0	(2,879,841)
<i>Total Accumulated Depreciation</i>	<u>(17,072,192)</u>	<u>(867,838)</u>	<u>0</u>	<u>(17,940,030)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>16,721,206</u>	 <u>(321,116)</u>	 <u>0</u>	 <u>16,400,090</u>
 <i>Total Business-Type Activities Capital Assets, Net</i>	 <u>\$ 17,001,682</u>	 <u>\$ 205,338</u>	 <u>\$ (337,812)</u>	 <u>\$ 16,869,208</u>

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NOTE 10: DEFINED BENEFIT PENSION PLANS

Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension asset/liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional and combined plans; therefore, the following disclosure focuses on these two plans.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	14.00 %
 Employee	 10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$522,163 for 2015. Of this amount, \$12,967 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.0 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$549,101 for 2015. Of this amount \$17,907 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$417,459 payable in semi-annual payments through the year 2035.

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Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportionate Share of the Net Pension (Asset)	\$ 0	\$ (6,277)	\$ 0	\$ (6,277)
Proportionate Share of the Net Pension Liability	\$ 4,159,276	\$ 0	\$ 6,457,105	\$ 10,616,381
Proportion of the Net Pension Asset/Liability	0.03448500%	0.01630400%	0.12464450%	
Pension Expense	\$ 452,431	\$ 4,119	\$ 629,861	\$ 1,086,411

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 221,926	\$ 383	\$ 278,295	\$ 500,604
City contributions subsequent to the measurement date	515,325	6,838	549,101	1,071,264
Total Deferred Outflows of Resources	<u>\$ 737,251</u>	<u>\$ 7,221</u>	<u>\$ 827,396</u>	<u>\$ 1,571,868</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	<u>\$ 73,070</u>	<u>\$ 1,916</u>	<u>\$ 0</u>	<u>\$ 74,986</u>

\$1,071,264 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
2016	\$ 21,767	\$ (132)	\$ 69,574	\$ 91,209
2017	21,767	(132)	69,574	91,209
2018	49,842	(132)	69,574	119,284
2019	55,480	(133)	69,573	124,920
2020	0	(228)	0	(228)
Thereafter	0	(776)	0	(776)
	<u>\$ 148,856</u>	<u>\$ (1,533)</u>	<u>\$ 278,295</u>	<u>\$ 425,618</u>

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Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>	<u>Combined Pension Plan</u>
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension (asset)/liability:			
Traditional Plan	\$ 7,651,877	\$ 4,159,276	\$ 1,217,665
Combined Plan	815	(6,277)	(11,902)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

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OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 8,931,153	\$ 6,457,105	\$ 4,362,338

NOTE 11: POST-EMPLOYMENT 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary 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 member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$87,027, \$89,949 and \$42,617, respectively. For 2015, 97.52 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

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B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF 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 OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF'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 OPF 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.

OPF 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 OPF 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. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. 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 OPF 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.

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The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$6,845 and \$6,149 for the year ended December 31, 2015, \$22,109 and \$20,901 for the year ended December 31, 2014, and \$41,214 and \$35,950 for the year ended December 31, 2013. 95.98 percent has been contributed for police and 97.42 percent has been contributed for firefighters for 2015. The full amount has been contributed for 2014 and 2013.

NOTE 12: 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	\$ 15,818
Fire Fund	2,458
Other Governmental Funds	47,750
Total	\$ 66,026

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, 2015 the liability for estimated unpaid compensated absences was \$998,394.

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NOTE 14: LONG-TERM OBLIGATIONS

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
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
Ohio Public Works Commission Loan:			
Continuous Street Improvements	0.00%	72,911	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
Sludge Press - 2011	3.86%	228,314	7/1/2015
Waste Water Treatment Plant Improvements - 2015	3.04%	\$1,700,000	1/1/2027

Changes in long-term obligations of the City during the year ended December 31, 2015 consisted of the following:

	<u>Restated Principal Balance 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2015</u>	<u>Due in One Year</u>
Governmental Activities					
General Obligation Bonds:					
2009 Courthouse Facilities Improvement Bonds					
Serial and Term Bonds	\$ 3,450,000	\$ 0	\$ (120,000)	\$ 3,330,000	\$ 120,000
Capital Appreciation Bonds	19,656	0	0	19,656	0
Accretion on Capital Appreciation Bonds	88,568	41,829	0	130,397	0
Unamortized Premium	138,845	0	(6,037)	132,808	0
Total General Obligation Bonds	<u>3,697,069</u>	<u>41,829</u>	<u>(126,037)</u>	<u>3,612,861</u>	<u>120,000</u>
OPWC Loan:					
Continuous Street Improvement	56,249	0	(7,031)	49,218	7,031
Other Long-Term Obligations:					
Compensated Absences	885,138	47,627	(99,413)	833,352	33,730
Installment Loan	74,772	140,602	(17,439)	197,935	197,935
Capital Leases	1,143,729	192,422	(319,184)	1,016,967	301,761
Accrued Pension Liability	431,035	0	(13,576)	417,459	14,160
Net Pension Liability:					
OPERS	2,730,043	63,088	0	2,793,131	0
OPF	6,070,578	386,527	0	6,457,105	0
Total Other Long-Term Obligations	<u>11,335,295</u>	<u>830,266</u>	<u>(449,612)</u>	<u>11,715,949</u>	<u>547,586</u>
Total Governmental Activities Long-Term Debt and Other Long-Term Obligations	<u>\$ 15,088,613</u>	<u>\$ 872,095</u>	<u>\$ (582,680)</u>	<u>\$ 15,378,028</u>	<u>\$ 674,617</u>

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	Restated Principal Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	Principal Balance <u>12/31/2015</u>	Due in One Year
Business-Type Activities					
Mortgage Revenue Bonds:					
Water System Refunding Bonds	\$ 263,000	\$ 0	\$ (263,000)	\$ 0	\$ 0
OWDA Loans:					
Water Line Replacement	1,107,254	0	(24,925)	1,082,329	25,873
Sludge Facility	918,952	0	(249,566)	669,386	259,751
Sludge Press	27,351	0	(27,351)	0	0
WWTP Improvements	<u>0</u>	<u>148,591</u>	<u>0</u>	<u>148,591</u>	<u>0</u>
Total OWDA Loans	<u>2,053,557</u>	<u>148,591</u>	<u>(301,842)</u>	<u>1,900,306</u>	<u>285,624</u>
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	<u>64,561</u>	<u>0</u>	<u>(9,223)</u>	<u>55,338</u>	<u>9,223</u>
Total Business-Type Activities Long-Term Debt	<u>2,381,118</u>	<u>148,591</u>	<u>(574,065)</u>	<u>1,955,644</u>	<u>294,847</u>
Net Pension Liability - OPERS:					
Sewer	660,670	15,267	0	675,937	0
Water	<u>674,619</u>	<u>15,589</u>	<u>0</u>	<u>690,208</u>	<u>0</u>
Total Net Pension Liabilities	<u>1,335,289</u>	<u>30,856</u>	<u>0</u>	<u>1,366,145</u>	<u>0</u>
Other Long-Term Obligations:					
Compensated Absences	<u>143,383</u>	<u>23,069</u>	<u>(1,410)</u>	<u>165,042</u>	<u>8,266</u>
Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations	<u>\$ 3,859,790</u>	<u>\$ 202,516</u>	<u>\$ (575,475)</u>	<u>\$ 3,486,831</u>	<u>\$ 303,113</u>

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2015 was \$633,437 in principal and interest payments through the year 2037. Only the principal amount of \$417,459 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.

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. The car loans will be paid from the general fund. The installment loan is being paid by the code violation special revenue 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 fund.

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The capital leases are paid from the general, street, fire and public lands capital improvement funds.

The City pays obligations related to employee compensation from the fund benefitting from their service.

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 2015 was \$6,037.

The serial bonds were issued with a varying interest rate of 2.00-3.00 percent. The term bonds that mature in 2023, with an interest rate of 3.75-4.50 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 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, 2024, 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.

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:

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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 2035, 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, 2035 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 2015, the accretion amount was \$41,829.

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.

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The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$1,955,644 of 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 was 12.31 percent. The total principal and interest remaining to be paid on the loans is \$2,608,523. Principal and interest paid for the current year and total net revenues were \$387,734 and \$3,150,855 respectively.

In 2012 the City received loan proceeds of \$67,711 from Ohio Public Works Commission (OPWC) for continuous street improvements which the City determined did not meet capitalization requirements. The loan has a zero interest rate. The final installment is due on January 1, 2023.

On February 14, 2014, the City entered into an installment loan for \$200,000 with Peoples Bank for a business loan. As of December 31, 2015, the City only borrowed \$197,935. The City is required to make monthly interest payments. The entire principal balance is due on February, 14, 2016 and has an interest rate of 2.5 percent. There is no amortization schedule available for this loan.

The City entered into an OWDA loan in 2015 for waste water treatment plant improvements. \$147,908 has been drawn down by the City as of December 31, 2015. As of December 31, 2015 the OWDA had not completed an amortization schedule, therefore, the loan is not included in the amortization schedule. As of December 31, 2015, the balance of this loan is \$148,591, which includes \$683 of capitalized interest.

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
2016	\$ 14,160	\$ 17,593	\$ 120,000	\$ 140,563	\$ 0	\$ 0
2017	14,768	16,985	0	136,962	8,770	116,230
2018	15,402	16,351	0	136,962	6,325	118,675
2019	16,064	15,689	0	136,962	4,561	120,439
2020	16,753	14,999	125,000	136,962	0	0
2021-2025	95,201	63,563	700,000	610,388	0	0
2026-2030	117,478	41,285	845,000	459,350	0	0
2031-2035	127,633	13,824	1,050,000	256,500	0	0
2036-2037	0	0	490,000	33,300	0	0
Totals	\$ 417,459	\$ 200,289	\$ 3,330,000	\$ 2,047,949	\$ 19,656	\$ 355,344

Years	OPWC	Total	
	Principal	Principal	Interest
2016	\$ 7,031	\$ 141,191	\$ 158,156
2017	7,031	30,569	270,177
2018	7,031	28,758	271,988
2019	7,031	27,656	273,090
2020	7,031	148,784	151,961
2021-2025	14,063	809,264	673,951
2026-2030	0	962,478	500,635
2031-2035	0	1,177,633	270,324
2036-2037	0	490,000	33,300
Totals	\$ 49,218	\$ 3,816,333	\$ 2,603,582

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

Years	OWDA Loans		OPWC Loan	Total	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 285,624	\$ 65,008	\$ 9,223	\$ 294,847	\$ 65,008
2017	297,209	53,423	9,223	306,432	53,423
2018	167,163	41,370	9,223	176,386	41,370
2019	28,942	37,494	9,223	38,165	37,494
2020	30,042	36,393	9,223	39,265	36,393
2021-2025	168,256	163,920	9,223	177,479	163,920
2026-2030	202,802	129,375	0	202,802	129,375
2031-2035	244,443	87,735	0	244,443	87,735
2036-2040	294,631	37,546	0	294,631	37,546
2041	32,603	615	0	32,603	615
Totals	<u>\$ 1,751,715</u>	<u>\$ 652,879</u>	<u>\$ 55,338</u>	<u>\$ 1,807,053</u>	<u>\$ 652,879</u>

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

In 2015 the City entered into a lease agreement for an International truck. In prior years, the City entered into capitalized leases for the acquisition of police cruisers and a ladder fire truck. 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 \$1,327,269, 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, 2015:

		Governmental Activities
Year Ending December 31:	2016	\$ 327,339
	2017	268,642
	2018	249,241
	2019	227,761
Minimum lease payments		<u>1,072,983</u>
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(56,016)</u>
Present value of minimum lease payments		<u>\$ 1,016,967</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 \$359,759. The claims liability of \$7,315 reported in the Self-Insurance Fund at December 31, 2015 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 2014 and 2015 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>
2015	\$ 4,548	\$ 385,290	\$ 382,523	\$ 7,315
2014	4,055	411,229	410,736	4,548

Risk Pool Membership

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 Insurance Services Group, Inc. (York) 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

<u>Casualty Coverage</u>	<u>2014</u>	<u>2015</u>
Assets	\$ 35,402,177	\$ 38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$ 23,038,920</u>	<u>\$ 25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$112,000.

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>	
2013	\$ 150,050
2014	155,417
2015	170,415

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

Workers Compensation

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.

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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:

	General Fund	Fire Fund	Other Governmental Funds	Total
Nonspendable for:				
Materials and Supplies Inventory	\$ 0	\$ 0	\$ 5,446	\$ 5,446
Prepaid Items	11,219	828	3,021	15,068
Unclaimed Monies	27,340	0	0	27,340
Total Nonspendable	38,559	828	8,467	47,854
Restricted for:				
Capital Outlay	0	0	183,305	183,305
Motor Vehicle & Gasoline Tax	0	0	95,356	95,356
Street Improvement	0	0	1,700,786	1,700,786
Special Projects	0	0	456,553	456,553
Debt Service	0	0	28,341	28,341
Municipal Court	0	0	73,458	73,458
FEMA	0	0	8,389	8,389
Northwood Cemetary	0	0	399,839	399,839
Fire	0	235,709	0	235,709
Other Purposes	0	0	963,116	963,116
Total Restricted	0	235,709	3,909,143	4,144,852
Committed for:				
Park Side Tasty Treat	0	0	893	893
Code Violation	0	0	35,035	35,035
Fire Capital Equipment	0	0	32,310	32,310
Capital Improvement	0	0	941	941
Total Committed	0	0	69,179	69,179
Assigned for:				
Encumbrances				
General Government	13,435	0	0	13,435
Security of Persons & Property	2,138	0	0	2,138
Community Development	245	0	0	245
Other Purposes	193,524	0	0	193,524
Subsequent Year Appropriations	1,154,915	0	0	1,154,915
Total Assigned	1,364,257	0	0	1,364,257
Unassigned	1,062,097	0	(5,427)	1,056,670
Total Fund Balance	\$ 2,464,913	\$ 236,537	\$ 3,981,362	\$ 6,682,812

City of Cambridge
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 18: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities and retirement housing. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2015, there were three series of revenue bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of \$8,970,000 and \$4,715,000, respectively.

NOTE 19: CONTINGENCIES

The City is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The City received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2015.

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset/Liability
Last Two Years (1)

	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0344850%	0.0344850%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,159,276	\$ 4,065,332
City's Covered-Employee Payroll	\$ 4,227,858	\$ 3,235,331
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.38%	125.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0163040%	0.0163040%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (6,277)	\$ (1,711)
City's Covered-Employee Payroll	\$ 59,600	\$ 42,931
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	-10.53%	-3.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%
<i>Ohio Police and Fire Pension Fund (OPF)</i>		
City's Proportion of the Net Pension Liability (Asset)	0.1246445%	0.1246445%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,457,105	\$ 521,629
City's Covered-Employee Payroll	\$ 2,469,624	\$ 2,374,669
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	261.46%	21.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	72.20%	73.00%

(1) Information prior to 2013 is not available.

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>			
Contractually Required Contribution	\$ 515,325	\$ 507,343	\$ 420,593
Contributions in Relation to the Contractually Required Contribution	<u>(515,325)</u>	<u>(507,343)</u>	<u>(420,593)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 4,294,375	\$ 4,227,858	\$ 3,235,331
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>			
Contractually Required Contribution	\$ 6,838	\$ 7,152	\$ 5,581
Contributions in Relation to the Contractually Required Contribution	<u>(6,838)</u>	<u>(7,152)</u>	<u>(5,581)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 56,983	\$ 59,600	\$ 42,931
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
Contractually Required Contribution	\$ 549,101	\$ 521,629	\$ 423,217
Contributions in relation to the contractually required contribution	<u>(549,101)</u>	<u>(521,629)</u>	<u>(423,217)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,598,758	\$ 2,469,624	\$ 2,374,669
Contributions as a percentage of covered-employee payroll	21.13%	21.12%	17.82%

(n/a) Information prior to 2013 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
n/a						
\$ 496,061	\$ 369,797	\$ 343,429	\$ 344,633	\$ 346,036	\$ 340,909	\$ 294,553
<u>(496,061)</u>	<u>(369,797)</u>	<u>(343,429)</u>	<u>(344,633)</u>	<u>(346,036)</u>	<u>(340,909)</u>	<u>(294,553)</u>
<u>\$ 0</u>						
\$ 3,352,453	\$ 2,486,562	\$ 2,361,014	\$ 2,300,432	\$ 2,322,571	\$ 2,292,204	\$ 2,110,363
14.80%	14.87%	14.55%	14.98%	14.90%	14.87%	13.96%

**CITY OF CAMBRIDGE
GUERNSEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Grant Title	Pass Through Entity Number	CFDA Number	Expenditures
U.S. Department of Justice			
<i>Passed through the Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2015VA-GENE-029	16.575	\$ <u>19,646</u>
Total U.S. Department of Justice			<u>19,646</u>
U.S. Department of Transportation; Federal Highway Administration			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	93581	20.205	660,000
Highway Planning and Construction	92156	20.205	151,237
Highway Planning and Construction	93323	20.205	<u>5,638</u>
Total U.S. Department of Transportation; Federal Highway Administration			<u>816,875</u>
U.S. Department of Housing and Urban Development			
<i>Passed through Ohio Development Services Agency:</i>			
Home Investment Partnership Program	A-C-13-2AS-2	14.239	<u>113,618</u>
Community Development Block Grant	A-C-13-2AS-1	14.228	<u>118,823</u>
Total U.S. Department of Housing and Urban Development			<u>232,441</u>
Total Expenditures of Federal Awards			<u>\$ 1,068,962</u>

The accompanying notes are an integral part of this schedule.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - 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. 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 the underlying property.

Activity in the revolving loan program during 2015 as follows:

	Amount
Beginning loans receivable balance as of January 1, 2015	\$54,403
Loans made	0
Loan principal repaid	(19,456)
Ending loans receivable balance as of December 31, 2015	\$34,947
 Cash balance on hand in the revolving loan fund as of December 31, 2015	 \$90,293

The table above reports gross loans receivable and the City considers all balances to be collectible in full.

NOTE D - OHIO DEPARTMENT OF TRANSPORTATION

The Ohio Department of Transportation (ODOT) C.F.D.A. 20.205 is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (the State) with exception of the Ohio Turnpike. In addition to highways, the department also helps develop public transportation and public aviation programs. The Schedule details expenditures incurred by the City in the year they were paid. Due to timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the Schedule may not coincide with expenditures reported by ODOT.

Amounts reimbursed to the City by ODOT during 2015	\$0
ODOT on behalf of the City during 2015	816,875
Federal expenditures reported in prior year schedules	0
Amount expended by the City in 2015 not reimbursed in 2015	0
Expended and reported by the City in calendar year 2015	\$816,875



**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 Ave
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, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2016 wherein we noted the City adopted GASB Statement No. 68 and 71 and restated governmental activities to properly account for intergovernmental receivables.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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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*.

City's Response to Findings

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

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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 24, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

To City Council:

Report on Compliance for The Major Federal Program

We have audited the City of Cambridge's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Cambridge's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City of Cambridge's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

Wilson, Shannon & Snow, Inc.

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Opinion on The Major Federal Program

In our opinion, the City of Cambridge 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, 2015.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shanna E. Snow, Inc.

Newark, Ohio
June 24, 2016

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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)?	Yes
<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 weaknesses in internal control 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 2 CFR § 200.516(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: \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

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

Finding Number	2015-001
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Financial Reporting – Significant Deficiency

The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason. We identified the following errors requiring adjustment to the financial statements for the year ended December 31, 2015:

- The Street Improvement Fund had revenue and expenses in the amount of \$811,237 which should have been recorded in the Safe Routes to Schools Fund (\$660,000) and Covered Bridge Project Fund (\$151,237). The amounts were budgeted and recorded in the respective funds on a cash basis, however, for GAAP reporting the amounts were erroneously consolidated into the Street Improvement Fund.
- The City improperly recognized an intergovernmental receivable within the Oakland Boulevard Fund associated with the Ohio Department of Transportation (ODOT) Oakland Boulevard Project as a non-reimbursable grant. However, based on the project agreement money received for this project shall be treated as a reimbursable type grant. Therefore, an audit adjustment totaling \$1,848,012 and a prior period restatement in the amount of \$2,028,113 were necessary to account for these transactions.
- Delinquent property tax receivables were improperly omitted from the Fire Fund therefore requiring an audit adjustment of \$114,327.
- Audit adjustments were necessary to properly report net investment in capital assets within the Water Fund of \$53,218.

The accompanying basic financial statements have been adjusted to reflect these adjustments.

Sound financial reporting is the responsibility of the City Auditor and Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate. To ensure the City’s financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Auditor, to identify and correct errors and omissions.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The City will monitor the preparation of the basic financial statements.	June 30, 2017	Suellen Johnson, City Auditor



Dave Yost • Auditor of State

CITY OF CAMBRIDGE

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2016**