

City of Cambridge

Audited Financial Statements

December 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Cambridge, Guernsey County, prepared by Rea & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 23, 2006

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2005

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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

DECEMBER 31, 2005

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August 16, 2006

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cambridge (the "City"), Guernsey County, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cambridge, Ohio as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Fire Fund, and Street Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 16, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

City of Cambridge, Ohio
Independent Auditor's Report
August 16, 2006
Page 2

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

Hea & Associates, Inc.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

The discussion and analysis of the City of Cambridge's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. 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 2005 are as follows:

- General Revenues accounted for \$7,689,016 in revenue or 47 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$8,618,835 or 53 percent of total revenues of \$16,307,851.
- Total program expenses were \$13,806,745, \$9,510,313 in governmental activities and \$4,296,432 in business-type activities.
- In total, net assets increased \$2,501,106. Net assets of governmental activities increased \$1,539,555. Net assets of business-type activities increased \$961,551.
- Outstanding bonded debt decreased from \$8,961,045 to \$7,975,110 through principal payments.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2005 and how they affected the operations of the City as a whole.

Reporting the City of Cambridge as a Whole

Statement of Net Assets and the Statement of Activities

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

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

A question typically asked about the City's finances "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

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

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

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire fund and street improvement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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

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

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

The City of Cambridge as a Whole

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

Table 1 provides a summary of the City's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$ 8,728,719	\$ 7,713,648	\$ 6,400,854	\$ 6,260,421	\$ 15,129,573	\$ 13,974,069
Capital Assets	10,849,421	10,230,025	16,479,986	16,667,986	27,329,407	26,898,011
Total Assets	19,578,140	17,943,673	22,880,840	22,928,407	42,458,980	40,872,080
Liabilities						
Long-Term Liabilities	1,374,632	1,451,404	7,439,223	8,442,239	8,813,855	9,893,643
Other Liabilities	2,300,983	2,129,299	404,135	410,237	2,705,118	2,539,536
Total Liabilities	3,675,615	3,580,703	7,843,358	8,852,476	11,518,973	12,433,179
Net Assets						
Invested in Capital Assets Net of Debt	10,571,476	10,159,741	8,919,860	8,421,365	19,491,336	18,581,106
Restricted	4,388,656	3,129,169	146,912	517,745	4,535,568	3,646,914
Unrestricted (Deficit)	942,393	1,074,060	5,970,710	5,136,821	6,913,103	6,210,881
Total Net Assets	\$ 15,902,525	\$ 14,362,970	\$ 15,037,482	\$ 14,075,931	\$ 30,940,007	\$ 28,438,901

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Total assets increased by \$1,586,900 with governmental assets increasing \$1,634,467 and business-type assets decreasing \$47,567. An increase of approximately \$431,396 in total capital assets reflects additional purchases exceeding depreciation expense. The majority of the increase was in governmental assets. Total liabilities decreased by \$914,206. The majority of this decrease was attributable to decreased long-term liabilities.

Total net assets increased by \$2,501,106. This number reflects an increase in both governmental activities and business-type activities.

Table 2 shows the changes in net assets for fiscal year 2005. Since this is the second year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons can be made between the years 2004 and 2005.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	Total
	Activities	Activities	Activities	Activities		
	2005	2004	2005	2004	2005	2004
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,854,071	\$ 1,566,419	\$ 5,215,704	\$ 4,606,947	\$ 7,069,775	\$ 6,173,366
Operating Grants	1,460,060	1,085,223	0	0	1,460,060	1,085,223
Capital Grants	89,000	1,000	0	0	89,000	1,000
<i>General Revenue:</i>						
Property Taxes	1,830,123	1,534,816	0	0	1,830,123	1,534,816
Income Taxes	4,289,777	4,171,514	0	0	4,289,777	4,171,514
Grants and Entitlements	769,500	816,606	0	0	769,500	816,606
Investments	213,080	176,318	28,329	3,811	241,409	180,129
Other	544,257	258,572	13,950	16,286	558,207	274,858
Total Revenues	11,049,868	9,610,468	5,257,983	4,627,044	16,307,851	14,237,512
Program Expenses						
General Government	2,792,746	3,174,443	0	0	2,792,746	3,174,443
Security of Persons and Property	4,715,242	3,484,405	0	0	4,715,242	3,484,405
Transportation	461,024	910,896	0	0	461,024	910,896
Public Health Services	194,949	226,085	0	0	194,949	226,085
Community Environment	678,059	318,187	0	0	678,059	318,187
Leisure Time Services	639,494	755,546	0	0	639,494	755,546
Interest and Fiscal Charges	28,799	55,832	0	0	28,799	55,832
<i>Enterprise Operations:</i>						
Water	0	0	2,155,173	2,260,797	2,155,173	2,260,797
Sewer	0	0	2,141,259	1,909,542	2,141,259	1,909,542
Total Program Expenses	9,510,313	8,925,394	4,296,432	4,170,339	13,806,745	13,095,733
Increase (Decrease) in Net Assets						
Before Transfers and Contributions	1,539,555	685,074	961,551	456,705	2,501,106	1,141,779
Transfers	0	(36,349)	0	36,349	0	0
Increase (Decrease) in Net Assets	\$ 1,539,555	\$ 648,725	\$ 961,551	\$ 493,054	\$ 2,501,106	\$ 1,141,779

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Governmental Activities

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

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

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,655,364 represents 46 percent of the total expenses. The police department operates out of the General fund and the fire department operates out of the Fire fund.

Our Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,520,902 during 2005.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$834,443 in 2005 equaling 8 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2005, charges for services of \$5,215,704 accounted for 99 percent of the revenues. The total expenses for the utilities were \$4,296,432, thus leaving an increase in net assets of \$961,551 (before transfers) for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$11,046,985 and expenditures of \$10,713,198. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 20. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$5,216,980, which exceeded operating expenses of \$3,831,959 by \$1,385,021 or 27 percent of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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 2005, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the final budget basis revenue was \$5,140,984, representing a \$25,942 decrease from the original budget estimate of \$5,166,926. Most of this difference was attributable to decreased licenses and decreased fine collections.

Final appropriations of \$4,753,426 were \$184,327 higher than the \$4,569,099 in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2005, the City had \$27,329,407 invested in land, infrastructure, buildings, improvements, equipment, furniture, water and sewer lines, vehicles and construction in progress. A total of \$10.8 million of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,870,495	\$ 1,882,495	\$ 201,041	\$ 201,041	\$ 2,071,536	\$ 2,083,536
Infrastructure	5,193,682	4,332,388	0	0	5,193,682	4,332,388
Land Improvements	33,539	37,461	0	0	33,539	37,461
Buildings	1,921,133	1,983,319	4,816,413	5,091,637	6,737,546	7,074,956
Improvements Other						
Than Buildings	850,080	848,636	6,973,656	7,111,545	7,823,736	7,960,181
Equipment and Machinery	699,913	788,950	397,574	241,062	1,097,487	1,030,012
Furniture and Equipment	25,403	28,877	3,136	9,378	28,539	38,255
Vehicles	123,806	151,319	133,110	53,169	256,916	204,488
Water Lines	0	0	1,505,262	1,451,035	1,505,262	1,451,035
Sewer Lines	0	0	2,449,794	2,509,119	2,449,794	2,509,119
Construction in Progress	131,370	176,580	0	0	131,370	176,580
Totals	<u>\$ 10,849,421</u>	<u>\$ 10,230,025</u>	<u>\$ 16,479,986</u>	<u>\$ 16,667,986</u>	<u>\$ 27,329,407</u>	<u>\$ 26,898,011</u>

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

The \$431,396 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during the 2005 year. The City capitalized general infrastructure for governmental activities.

Debt

The outstanding debt for the City of Cambridge as of December 31, 2005 was \$7,975,110. This balance reflected a reduction of \$985,935 from the previous year's balance of \$8,961,045, a reduction of 11 percent. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Mortgage Revenue Bonds	\$ 0	\$ 0	\$ 1,958,000	\$ 2,347,923	\$ 1,958,000	\$ 2,347,923
Special Assessment Bonds	144,105	153,958	0	0	144,105	153,958
OWDA Loans	0	0	5,194,804	5,741,910	5,194,804	5,741,910
OPWC Loans	0	13,256	147,566	156,788	147,566	170,044
General Obligation Bonds	0	0	0	0	0	0
Police and Fire Pension	530,635	539,550	0	0	530,635	539,550
John Deere Mower Loan	0	7,660	0	0	0	7,660
Notes Payable	0	0	0	0	0	0
<i>Total</i>	<u>\$ 674,740</u>	<u>\$ 714,424</u>	<u>\$ 7,300,370</u>	<u>\$ 8,246,621</u>	<u>\$ 7,975,110</u>	<u>\$ 8,961,045</u>

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

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

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

Economic Factors

The City refinanced the 1995 Water System Mortgage Revenue Bonds at a substantial savings to the water fund. \$650,000 of funding was secured for the replacement of five sewer lift stations and \$1,000,000 of funding was secured for the reconstruction of Brookside Avenue.

City of Cambridge
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Contacting the City's Finance Department

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

City of Cambridge
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,105,653	\$ 4,546,232	\$ 7,651,885
Cash and Cash Equivalents in Segregated Accounts	867,784	285	868,069
Investments	40,117	0	40,117
Materials and Supplies Inventory	28,914	9,820	38,734
Accrued Interest Receivable	4,124	0	4,124
Accounts Receivable	102,228	1,666,325	1,768,553
Internal Balances	(17,252)	17,252	0
Intergovernmental Receivable	1,382,238	0	1,382,238
Prepaid Items	7,669	14,028	21,697
Taxes Receivable	2,904,873	0	2,904,873
Loans Receivable	199,060	0	199,060
Deferred Charge	3,797	0	3,797
Special Assesments Receivable	99,514	0	99,514
Restricted Assets:			
Cash and Cash Equivalents	0	146,912	146,912
Non-Depreciable Capital Assets	2,001,865	201,041	2,202,906
Depreciable Capital Assets, net	8,847,556	16,278,945	25,126,501
<i>Total Assets</i>	<u>19,578,140</u>	<u>22,880,840</u>	<u>42,458,980</u>
Liabilities			
Accounts Payable	91,596	92,380	183,976
Accrued Wages	256,972	69,977	326,949
Contracts Payable	8,427	0	8,427
Intergovernmental Payable	269,008	44,916	313,924
Accrued Vacation Leave Payable	215,209	82,389	297,598
Due to Others	0	114,473	114,473
Claims Payable	5,284	0	5,284
Deferred Revenue	1,454,487	0	1,454,487
Long-Term Liabilities:			
Due Within One Year	78,253	586,375	664,628
Due in More Than One Year	1,296,379	6,852,848	8,149,227
<i>Total Liabilities</i>	<u>3,675,615</u>	<u>7,843,358</u>	<u>11,518,973</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,571,476	8,919,860	19,491,336
Restricted for Debt Service	160,191	0	160,191
Restricted for Capital Outlay	339,281	0	339,281
Restricted for Other Purposes	3,889,184	146,912	4,036,096
Unrestricted	942,393	5,970,710	6,913,103
<i>Total Net Assets</i>	<u>\$ 15,902,525</u>	<u>\$ 15,037,482</u>	<u>\$ 30,940,007</u>

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

City of Cambridge
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,792,746	\$ 1,030,862	\$ 818	\$ 0	\$ (1,761,066)	\$ 0	\$ (1,761,066)
Security of Persons and Property	3,655,364	480,536	443,684	0	(2,731,144)	0	(2,731,144)
Public Health	194,949	111,979	0	0	(82,970)	0	(82,970)
Leisure Time Services	639,494	207,172	0	0	(432,322)	0	(432,322)
Community and Economic Development	678,059	23,522	487,396	89,000	(78,141)	0	(78,141)
Transportation	1,520,902	0	528,162	0	(992,740)	0	(992,740)
Interest and Fiscal Charges	28,799	0	0	0	(28,799)	0	(28,799)
<i>Total Governmental Activities</i>	<u>9,510,313</u>	<u>1,854,071</u>	<u>1,460,060</u>	<u>89,000</u>	<u>(6,107,182)</u>	<u>0</u>	<u>(6,107,182)</u>
Business-Type Activities:							
Sewer Fund	2,141,259	2,532,295	0	0	0	391,036	391,036
Water Fund	2,155,173	2,683,409	0	0	0	528,236	528,236
<i>Total Business-Type Activities</i>	<u>4,296,432</u>	<u>5,215,704</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>919,272</u>	<u>919,272</u>
<i>Total - Primary Government</i>	<u>\$ 13,806,745</u>	<u>\$ 7,069,775</u>	<u>\$ 1,460,060</u>	<u>\$ 89,000</u>	<u>(6,107,182)</u>	<u>919,272</u>	<u>(5,187,910)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					370,242	0	370,242
Police and Fire Services					1,459,881	0	1,459,881
Income Taxes Levied for:							
General Purposes					3,003,861	0	3,003,861
Other Purposes					1,285,916	0	1,285,916
Grants and Entitlements not Restricted to Specific Programs					769,500	0	769,500
Unrestricted Contributions					30,975	0	30,975
Investment Earnings					213,080	28,329	241,409
Miscellaneous					513,282	13,950	527,232
<i>Total General Revenues</i>					<u>7,646,737</u>	<u>42,279</u>	<u>7,689,016</u>
<i>Change in Net Assets</i>					<u>1,539,555</u>	<u>961,551</u>	<u>2,501,106</u>
<i>Net Assets Beginning of Year (Restated)</i>					<u>14,362,970</u>	<u>14,075,931</u>	<u>28,438,901</u>
<i>Net Assets End of Year</i>					<u>\$ 15,902,525</u>	<u>\$ 15,037,482</u>	<u>\$ 30,940,007</u>

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

City of Cambridge
Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Fire Fund	Street Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 756,823	\$ 358,947	\$ 99,667	\$ 1,819,571	\$ 3,035,008
Cash and Cash Equivalents in Segregated Accounts	0	0	0	857,503	857,503
Investments	0	0	0	40,117	40,117
Materials and Supplies Inventory	0	0	0	28,914	28,914
Accrued Interest Receivable	4,124	0	0	0	4,124
Accounts Receivable	76,082	0	0	25,638	101,720
Intergovernmental Receivable	302,993	44,045	0	1,035,200	1,382,238
Prepaid Items	4,320	842	0	2,507	7,669
Taxes Receivable	1,159,196	1,306,243	232,472	206,962	2,904,873
Loans Receivable	0	0	0	199,060	199,060
Special Assessments Receivable	0	0	0	99,514	99,514
<i>Total Assets</i>	<u>\$ 2,303,538</u>	<u>\$ 1,710,077</u>	<u>\$ 332,139</u>	<u>\$ 4,314,986</u>	<u>\$ 8,660,740</u>
Liabilities					
Accounts Payable	41,351	1,288	0	48,957	91,596
Accrued Wages	159,337	60,371	0	37,264	256,972
Contracts Payable	0	0	8,427	0	8,427
Intergovernmental Payable	150,944	94,304	0	23,760	269,008
Deferred Revenue	635,410	1,347,899	32,466	1,135,850	3,151,625
Notes Payable	0	0	0	0	0
<i>Total Liabilities</i>	<u>987,042</u>	<u>1,503,862</u>	<u>40,893</u>	<u>1,245,831</u>	<u>3,777,628</u>
Fund Balances					
Reserved for Encumbrances	44,457	888	3,773	20,679	69,797
Reserved for Inventory	0	0	0	28,914	28,914
Reserved for Debt Service	0	0	0	60,677	60,677
Reserved for Loans Receivable	0	0	0	199,060	199,060
Unreserved, Undesignated, Reported in:					
General Fund	1,272,039	0	0	0	1,272,039
Special Revenue Funds	0	205,327	287,473	2,318,678	2,811,478
Capital Projects Funds	0	0	0	441,147	441,147
<i>Total Fund Balances</i>	<u>1,316,496</u>	<u>206,215</u>	<u>291,246</u>	<u>3,069,155</u>	<u>4,883,112</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,303,538</u>	<u>\$ 1,710,077</u>	<u>\$ 332,139</u>	<u>\$ 4,314,986</u>	<u>\$ 8,660,740</u>

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

City of Cambridge
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2005*

Total Governmental Fund Balances		\$ 4,883,112
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		10,849,421
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 288,027	
Income Tax	162,101	
Intergovernmental Charges for Services	1,147,496	
Total	99,514	1,697,138
An internal service fund is used by management to charge the costs of insurance to individual funds, The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		58,898
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		3,797
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special Assessment Bonds	(144,105)	
Accrued Vacation Payable	(215,209)	
Capital Leases	(133,840)	
Police and Fire Pension	(530,635)	
Compensated Absences	(566,052)	
Total	(1,589,841)	(1,589,841)
<i>Net Assets of Governmental Activities</i>		\$ 15,902,525

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

City of Cambridge
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Fire Fund	Street Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 344,291	\$ 1,271,872	\$ 0	\$ 87,298	\$ 1,703,461
Income Taxes	3,030,653	0	865,022	432,955	4,328,630
Special Assessments	0	0	0	14,151	14,151
Charges for Services	101,200	172,389	0	271,753	545,342
Licenses and Permits	197,409	0	0	0	197,409
Fines and Forfeitures	670,176	0	0	417,622	1,087,798
Intergovernmental	781,143	127,695	87,185	1,393,312	2,389,335
Interest	180,745	0	0	32,335	213,080
Rent	23,522	0	0	0	23,522
Contributions and Donations	0	17,000	0	13,975	30,975
Other	121,834	18,216	0	373,232	513,282
<i>Total Revenues</i>	<u>5,450,973</u>	<u>1,607,172</u>	<u>952,207</u>	<u>3,036,633</u>	<u>11,046,985</u>
Expenditures					
General Government	2,475,264	0	0	287,276	2,762,540
Security of Persons and Property	1,596,929	1,178,004	0	760,371	3,535,304
Public Health	0	0	0	165,156	165,156
Lesiure Time Services	399,827	0	0	107,547	507,374
Community and Economic Development	138,523	0	0	619,104	757,627
Transportation	0	0	1,059,878	886,323	1,946,201
Capital Outlay	0	0	8,427	390,419	398,846
Debt Service:					
Principal Retirements	19,630	0	0	46,023	65,653
Interest and Fiscal Charges	876	0	0	33,621	34,497
<i>Total Expenditures</i>	<u>4,631,049</u>	<u>1,178,004</u>	<u>1,068,305</u>	<u>3,295,840</u>	<u>10,173,198</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>819,924</u>	<u>429,168</u>	<u>(116,098)</u>	<u>(259,207)</u>	<u>873,787</u>
Other Financing Sources and Uses					
Transfers In	0	0	0	542,079	542,079
Inception of Capital Lease	110,294	0	0	0	110,294
Transfers Out	(346,156)	(195,923)	0	0	(542,079)
<i>Total Other Financing Sources and Uses</i>	<u>(235,862)</u>	<u>(195,923)</u>	<u>0</u>	<u>542,079</u>	<u>110,294</u>
<i>Net Change in Fund Balance</i>	584,062	233,245	(116,098)	282,872	984,081
<i>Fund Balance at Beginning of Year - Restated (see note 3)</i>	732,434	(27,030)	407,344	2,774,519	3,887,267
Increase in Reserve for Inventory	0	0	0	11,764	11,764
<i>Fund Balance at End of Year</i>	<u>\$ 1,316,496</u>	<u>\$ 206,215</u>	<u>\$ 291,246</u>	<u>\$ 3,069,155</u>	<u>\$ 4,883,112</u>

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

City of Cambridge
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	\$	984,081
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,287,642	
Current Year Depreciation	(601,210)	
Total		686,432
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(67,036)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	126,662	
Income Tax	(38,853)	
Intergovernmental	(70,775)	
Charges for Services	(14,151)	
Total		2,883
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,048
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Bond Issuance Costs	3,797	
Bond Discount	(147)	
		3,650
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Pension	8,915	
OPWC Loans	13,256	
Installment Loans	7,660	
Bond principal	10,000	
Capital Leases	25,822	
		65,653
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.		
Inception of Capital Leases		(110,294)
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.		
Vacation Payable	(215,209)	
Compensated Absences	121,560	
Change in Inventory	11,764	
Total		(81,885)
The internal service funds used by management to charge the cost of insurance to individual funds in not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.		
		54,023
<i>Change in Net Assets of Governmental Activities</i>		\$ 1,539,555

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 338,522	\$ 312,589	\$ 344,291	\$ 31,702
Income Taxes	2,900,000	2,900,000	3,010,048	110,048
Charges for Services	101,200	101,200	101,200	0
Licenses and Permits	137,000	137,000	167,428	30,428
Fines and Forfeitures	530,500	530,500	679,169	148,669
Intergovernmental	822,000	812,149	861,850	49,701
Interest	160,000	160,000	175,130	15,130
Rent	15,000	15,000	23,522	8,522
Other	162,704	172,546	176,888	4,342
<i>Total Revenues</i>	<u>5,166,926</u>	<u>5,140,984</u>	<u>5,539,526</u>	<u>398,542</u>
Expenditures				
General Government	2,682,942	2,689,626	2,482,279	207,347
Security of Persons and Property	1,341,581	1,519,224	1,486,462	32,762
Lesiure Time Services	401,745	401,745	399,052	2,693
Community and Economic Development	142,831	142,831	137,803	5,028
Debt Service:				
Principal Retirements	0	0	4,659	4,659
<i>Total Expenditures</i>	<u>4,569,099</u>	<u>4,753,426</u>	<u>4,510,255</u>	<u>252,489</u>
Excess of Revenues Over Expenditures	<u>597,827</u>	<u>387,558</u>	<u>1,029,271</u>	<u>641,713</u>
Other Financing Sources and Uses				
Transfers Out	(400,000)	(370,523)	(346,156)	24,367
Advances Out	0	(186,717)	(186,717)	0
Total Other Financing Sources and Uses	<u>(400,000)</u>	<u>(557,240)</u>	<u>(532,873)</u>	<u>24,367</u>
Net Change in Fund Balance	197,827	(169,682)	496,398	666,080
Fund Balance at Beginning of Year	171,497	171,497	171,497	0
Prior Year Encumbrances Appropriated	18,062	18,062	18,062	0
Fund Balance at End of Year	<u>\$ 387,386</u>	<u>\$ 19,877</u>	<u>\$ 685,957</u>	<u>\$ 666,080</u>

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

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 1,281,171	\$ 1,152,564	\$ 1,271,872	\$ 119,308
Charges for Services	175,672	172,172	172,389	217
Intergovernmental	128,000	128,607	127,695	(912)
Contributions and Donations	0	0	17,000	17,000
Other	0	21,625	18,216	(3,409)
Total Revenues	1,584,843	1,474,968	1,607,172	132,204
Expenditures				
Security of Persons and Property	1,265,920	1,304,830	1,239,965	64,865
Total Expenditures	1,265,920	1,304,830	1,239,965	64,865
Excess of Revenues Over Expenditures	318,923	170,138	367,207	197,069
Other Financing Sources and Uses				
Transfers Out	(228,111)	(207,326)	(195,923)	11,403
Total Other Financing Sources and Uses	(228,111)	(207,326)	(195,923)	11,403
Net Change in Fund Balance	90,812	(37,188)	171,284	208,472
Fund Balance at Beginning of Year	172,677	172,677	172,677	0
Prior Year Encumbrances Appropriated	12,484	12,484	12,484	0
Fund Balance at End of Year	\$ 275,973	\$ 147,973	\$ 356,445	\$ 208,472

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

City of Cambridge
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Improvement Fund
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Income Taxes	\$ 800,000	\$ 800,000	\$ 858,556	\$ 58,556
Intergovernmental	94,000	94,000	87,185	(6,815)
Total Revenues	<u>894,000</u>	<u>894,000</u>	<u>945,741</u>	<u>51,741</u>
Expenditures				
Transportation	<u>1,000,000</u>	<u>1,094,000</u>	<u>1,087,078</u>	<u>6,922</u>
Total Expenditures	<u>1,000,000</u>	<u>1,094,000</u>	<u>1,087,078</u>	<u>6,922</u>
Excess of Revenues Over (Under) Expenditures	<u>(106,000)</u>	<u>(200,000)</u>	<u>(141,337)</u>	<u>58,663</u>
Net Change in Fund Balance	(106,000)	(200,000)	(141,337)	58,663
Fund Balance at Beginning of Year	<u>463,044</u>	<u>463,044</u>	<u>463,044</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 357,044</u>	<u>\$ 263,044</u>	<u>\$ 321,707</u>	<u>\$ 58,663</u>

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

City of Cambridge
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer Fund	Water Fund	Totals	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,513,290	\$ 2,032,942	\$ 4,546,232	\$ 70,645
Cash and Cash Equivalents in Segregated Accounts	285	0	285	10,281
Materials and Supplies Inventory	0	9,820	9,820	0
Accounts Receivable	868,458	797,867	1,666,325	508
Prepaid Items	4,384	9,644	14,028	0
<i>Total Current Assets</i>	3,386,417	2,850,273	6,236,690	81,434
<i>Non-Current Assets</i>				
Restricted Equity in Pooled Cash and Cash Equivalents	0	146,912	146,912	0
Non-Depreciable Capital Assets	58,512	142,529	201,041	0
Depreciable Capital Assets, net	8,513,685	7,765,183	16,278,868	0
<i>Total Non-Current Assets</i>	8,572,197	8,054,624	16,626,821	0
<i>Total Assets</i>	11,958,614	10,904,897	22,863,511	81,434
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	50,495	41,885	92,380	0
Accrued Wages	34,403	35,574	69,977	0
Intergovernmental Payable	21,788	23,128	44,916	0
Accrued Vacation Payable	37,955	44,434	82,389	0
Due to Others	0	114,473	114,473	0
Claims Payable	0	0	0	5,284
Compensated Absences Payable	2,452	2,725	5,177	0
OPWC Loans Payable	0	9,223	9,223	0
OWDA Loans Payable	397,854	174,121	571,975	0
<i>Total Current Liabilities</i>	544,947	445,563	990,510	5,284
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable- net of current portion	58,827	74,850	133,677	0
Revenue Bonds Payable- net of current portion	0	1,958,000	1,958,000	0
OPWC Loans Payable- net of current portion	0	138,342	138,342	0
OWDA Loans Payable- net of current portion	2,029,204	2,593,625	4,622,829	0
<i>Total Long-Term Liabilities</i>	2,088,031	4,764,817	6,852,848	0
<i>Total Liabilities</i>	2,632,978	5,210,380	7,843,358	5,284
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,145,140	2,774,720	8,919,860	0
Restricted for Debt Service	0	0	0	0
Restricted for Other Purposes	0	146,912	146,912	0
Unrestricted	3,180,573	2,772,885	5,953,458	76,150
<i>Total Net Assets</i>	\$ 9,325,713	\$ 5,694,517	15,020,230	\$ 76,150

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities.

17,252

\$ 15,037,482

City of Cambridge
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer Fund	Water Fund	Totals	
Operating Revenue				
Charges for Services	\$ 2,532,295	\$ 2,683,409	\$ 5,215,704	\$ 147,151
Other	1,062	214	1,276	508
<i>Total Operating Revenues</i>	<u>2,533,357</u>	<u>2,683,623</u>	<u>5,216,980</u>	<u>147,659</u>
Operating Expenses				
Personal Services	803,641	742,734	1,546,375	0
Contractual Services	647,744	247,474	895,218	5,067
Materials and Supplies	344,764	443,741	788,505	0
Claims	0	0	0	72,321
Depreciation	225,979	375,644	601,623	0
Other	82	156	238	0
<i>Total Operating Expenses</i>	<u>2,022,210</u>	<u>1,809,749</u>	<u>3,831,959</u>	<u>77,388</u>
<i>Operating Income (Loss)</i>	<u>511,147</u>	<u>873,874</u>	<u>1,385,021</u>	<u>70,271</u>
Non-Operating Revenues (Expenses)				
Interest	2,341	25,988	28,329	115
Other Non-Operating Revenues	12,334	340	12,674	0
Interest and Fiscal Charges	(126,732)	(354,104)	(480,836)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(112,057)</u>	<u>(327,776)</u>	<u>(439,833)</u>	<u>115</u>
<i>Income (Loss) Before Transfers</i>	399,090	546,098	945,188	70,386
<i>Change in Net Assets</i>	399,090	546,098	945,188	70,386
<i>Net Assets at Beginning of Year (Restated)</i>	<u>8,926,623</u>	<u>5,148,419</u>		<u>5,764</u>
<i>Net Assets at End of Year</i>	<u>\$ 9,325,713</u>	<u>\$ 5,694,517</u>		<u>\$ 76,150</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			<u>16,363</u>	
			<u>\$ 961,551</u>	

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

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from Operating Activities				
Cash Received from Customers	\$ 2,544,906	\$ 2,685,494	\$ 5,230,400	\$ 147,151
Other Operating Receipts				
Cash Payments to Suppliers for Goods and Services	(346,529)	(428,886)	(775,415)	0
Cash Payments to Employees	(782,622)	(805,660)	(1,588,282)	0
Cash Payments for Contractual Services	(640,440)	(272,334)	(912,774)	(5,067)
Claims Paid	0	0	0	(71,525)
<i>Net Cash Provided by Operating Activities</i>	<u>775,315</u>	<u>1,178,614</u>	<u>1,953,929</u>	<u>70,559</u>
Cash Flows from Noncapital Financing Activities				
Other Non-Operating	12,334	340	12,674	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>12,334</u>	<u>340</u>	<u>12,674</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Bonds	0	1,958,000	1,958,000	0
Acquisition of Capital Assets	(71,003)	(342,620)	(413,623)	0
Principal Payments on Debt	(379,812)	(2,551,516)	(2,931,328)	0
Interest Payments	(126,732)	(296,891)	(423,623)	0
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(577,547)</u>	<u>(1,233,027)</u>	<u>(1,810,574)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	2,341	25,988	28,329	85
<i>Net Cash Provided by Investing Activities</i>	<u>2,341</u>	<u>25,988</u>	<u>28,329</u>	<u>85</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>212,443</u>	<u>(28,085)</u>	<u>184,358</u>	<u>70,644</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>2,301,132</u>	<u>2,207,939</u>	<u>4,509,071</u>	<u>10,252</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 2,513,575</u>	<u>\$ 2,179,854</u>	<u>\$ 4,693,429</u>	<u>\$ 80,896</u>

(continued)

City of Cambridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 511,147	\$ 873,874	\$ 1,385,021	\$ 70,271
Adjustments:				
Depreciation	225,979	375,644	601,623	0
(Increase) Decrease in Assets:				
Accounts Receivable	11,631	2,027	13,658	(508)
Prepaid Items	2,673	(526)	2,147	0
Materials and Supplies Inventory	0	3,495	3,495	0
Increase (Decrease) in Liabilities:				
Accounts Payable	2,662	(12,974)	(10,312)	0
Accrued Wages	4,244	2,022	6,266	0
Compensated Absences Payable	52,118	(26,493)	25,625	0
Claims Payable	0	0	0	796
Intergovernmental Payable	(35,139)	(38,455)	(73,594)	0
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 775,315</u>	<u>\$ 1,178,614</u>	<u>\$ 1,953,929</u>	<u>\$ 70,559</u>

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

City of Cambridge
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Private Purpose Trust	Agency Fund
Assets		
Cash and Cash Equivalents in Segregated Accounts	\$ 61,316	\$ 202,571
Accounts Receivable	0	4,593
<i>Total Assets</i>	61,316	207,164
Liabilities		
Due to Others		207,164
<i>Total Liabilities</i>		\$ 207,164
Net Assets		
Held in Trust for Private Purposes	61,316	
<i>Total Net Assets</i>	\$ 61,316	

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

City of Cambridge
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2005

	Private Purpose Trust
Additions	
Interest	\$ 395
<i>Total Additions</i>	395
Deductions	
Personal Services	89
<i>Total Deductions</i>	89
<i>Change in Net Assets</i>	
<i>Change in Net Assets</i>	306
<i>Net Assets Beginning of Year</i>	61,010
<i>Net Assets End of Year</i>	\$ 61,316

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements
December 31, 2005

NOTE 1 – REPORTING ENTITY

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

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

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

Related Organizations

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 1 – REPORTING ENTITY (Continued)

Guernsey County Airport Authority – The Guernsey County Airport Authority was created to provide for the orderly development of aviation facilities in the region. The Authority is governed by a five member board of trustees. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Guernsey County Board of Commissioners. Subsequent appointments are made by the City in each even numbered year and the County in each odd numbered year. The City provided 90 percent of the funds received by the Authority in 2005; however, the City is not financially accountable for the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Street Improvement Special Revenue Fund The street improvement fund is used to account for the street improvements for the City.

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

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

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

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

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

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

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

C. Measurement Focus

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

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

During 2005, investments were limited to a certificate of deposit and Money Market.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$180,745, which includes \$175,939 assigned from other City funds.

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

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Balances

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

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

J. Compensated Absences

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

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-term Obligations

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

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

N. Operating Revenues and Expenses

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Contributions of Capital

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

R. Estimates

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

S. Budgetary Data

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

For fiscal year 2005, the City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Reconciliation of Pension and Other Postemployment Benefit Expenditure/Expenses and Liabilities by Cost-Sharing Employers*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as liability each period by employers participating in a cost-sharing, multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have a significant effect on the financial statements of the City. Refer to Note 5 for additional documentation concerning GASB No. 40.

The GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires the government to report the effect of capital asset impairment when it occurs, and to account for insurance recoveries in a similar manner. The implementation of this statement has made no impact on the City's financial reporting or results of financial position for 2005.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE AND NET ASSETS (Continued)

Restatement of Fund Balance Due to the implementation of GASB Technical Bulletin No. 2004-2, beginning fund balance was restated to reflect the change in intergovernmental payables. As a result, major and nonmajor governmental funds decreased by \$153,375 as follows:

	<u>General</u>	<u>Fire</u>	<u>Street Improvement</u>	<u>All Other Governmental</u>	<u>Total</u>
Fund Balances, 12/31/04	\$ 806,365	\$ 48,226	\$ 407,344	\$ 2,778,707	\$ 4,040,642
Correction of Intergovernmental Payables - GASB Bulletin No. 2004-2	<u>(73,931)</u>	<u>(75,256)</u>	<u>0</u>	<u>(4,188)</u>	<u>(153,375)</u>
Fund Balances, 01/01/05	<u>\$ 732,434</u>	<u>\$ (27,030)</u>	<u>\$ 407,344</u>	<u>\$ 2,774,519</u>	<u>\$ 3,887,267</u>

Correction of an Error Accounts receivable and charges for services revenue were understated in Business-Type Activities as of December 31, 2004. The effect of the error correction in the Water Fund and the Sewer Fund is as follows:

	<u>Sewer</u>	<u>Water</u>
Net Assets, 12/31/04	\$ 8,486,554	\$ 4,733,049
Correction of Accounts Receivable	<u>440,069</u>	<u>415,370</u>
Net Assets, 01/01/05	<u>\$ 8,926,623</u>	<u>\$ 5,148,419</u>

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the fire major special revenue fund.

	Net Change in Fund Balance		
	<u>General</u>	<u>Fire</u>	<u>Street Improvement</u>
GAAP Basis	\$ 584,062	\$ 233,245	\$ (116,098)
Revenue accruals	(21,741)	0	(6,466)
Expenditure accruals	(10,499)	(60,573)	(6,573)
Encumbrances	<u>(55,424)</u>	<u>(1,388)</u>	<u>(12,200)</u>
Budget Basis	<u>\$ 496,398</u>	<u>\$ 171,284</u>	<u>\$ (141,337)</u>

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.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

According to State law, 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 2005, 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 public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was \$8,970,870. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2005, \$8,915,419 of the City's bank balance of \$9,155,540 was exposed to custodial risk as discussed above, while \$240,117 was covered by Federal Deposit Insurance Corporation.

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

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer.

NOTE 6: PROPERTY TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date, and were collected in 2005. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes received in 2005 attached as a lien on December 31, 2004, were levied after October 1, 2005 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 6: PROPERTY TAXES

2005 tangible personal property taxes are levied after October 1, 2005, on the value listed as of December 31, 2005 and are collected in 2005. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2005 was \$12.10 per \$1,000 of assessed value. The assessed value upon which the 2005 tax receipts were based was \$155,946,090. This amount constitutes \$120,844,820 in real property assessed value, \$6,833,960 in public utility assessed value and \$28,267,310 tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is 1.40 percent (14.00 mills) of assessed value.

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2005. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2005 operations, the receivable is offset by a credit to deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Tax

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 7: RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts receivable, loans, interest and intergovernmental receivables arising from shared revenues.

The special revenue funds reflect loans receivable of \$199,060. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. \$199,060 of the fund balance representing revolving loans receivable is reserved because it is not appropriable for expenditures, or is legally segregated for specific use.

NOTE 8: INTERFUND TRANSACTIONS

A. Interfund Transfers

Following is a summary of operating transfers in and out for all funds for 2005:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 346,156
Fire Protection Fund	0	195,923
Non-Major Governmental Funds:		
Tree Fund	5,000	0
Municipal Airport Fund	116,000	0
Fire Pension Fund	195,923	0
Police Pension Fund	158,767	0
VOCA	1,389	0
Cemetery Fund	65,000	0
Total Non-Major Governmental Funds	542,079	0
 Total All Funds	\$ 542,079	\$ 542,079

The transfer to the Fire Pension Fund from the Fire Protection Fund in the amount of \$195,923 along with the \$158,767 transfer to the Police Pension Fund from the General Fund were for purposes of pension payments to the Ohio Police and Fire Pension Fund.

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2005 follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/2005
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,882,495	\$ 0	\$ (12,000)	\$ 1,870,495
Construction in Progress	176,580	246,243	(291,453)	131,370
<i>Total Capital Assets Not Being Depreciated</i>	2,059,075	246,243	(303,453)	2,001,865
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	72,571	0	0	72,571
Buildings	2,724,393	0	0	2,724,393
Improvements Other Than Buildings	1,576,233	74,030	0	1,650,263
Machinery and equipment	2,256,755	68,439	(94,640)	2,230,554
Furniture and fixtures	44,466	0	0	44,466
Vehicles	547,596	39,603	(41,841)	545,358
Infrastructure	7,091,419	1,156,547	0	8,247,966
<i>Total Capital Assets, Being Depreciated</i>	14,313,433	1,338,619	(136,481)	15,515,571
<i>Less Accumulated Depreciation:</i>				
Land Improvements	35,110	3,922	0	39,032
Buildings	741,074	62,186	0	803,260
Improvements Other Than Buildings	727,597	72,586	0	800,183
Machinery and equipment	1,467,805	102,440	(39,604)	1,530,641
Furniture and fixtures	15,589	3,474	0	19,063
Vehicles	396,277	67,116	(41,841)	421,552
Infrastructure	2,759,031	295,253	0	3,054,284
<i>Total Accumulated Depreciation</i>	6,142,483	606,977 *	(81,445)	6,668,015
<i>Total capital assets being depreciated, net</i>	8,170,950	731,642	(55,036)	8,847,556
<i>Total Governmental Capital Assets, Net</i>	\$ 10,230,025	\$ 977,885	\$ (358,489)	\$ 10,849,421

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 27,182
Leisure Time Services	136,433
Security of Persons and Property	76,841
Transportation	347,261
Public Health	19,260
Total	\$ 606,977

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 12/31/04	Additions	Deletions	Balance 12/31/2005
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 201,041	\$ 0	\$ 0	\$ 201,041
<i>Total Capital Assets Not Being Depreciated</i>	201,041	0	0	201,041
<i>Capital Assets, Being Depreciated:</i>				
Buildings	9,240,220	0	0	9,240,220
Improvements other than buildings	9,369,822	7,000	0	9,376,822
Machinery and equipment	643,955	204,043	0	847,998
Furniture and fixtures	39,839	0	0	39,839
Vehicles	372,085	112,007	0	484,092
Water Lines	2,684,202	90,573	0	2,774,775
Sewer Lines	4,648,681	0	0	4,648,681
<i>Total Capital Assets, Being Depreciated</i>	26,998,804	413,623	0	27,412,427
<i>Less Accumulated Depreciation:</i>				
Buildings	4,148,583	275,224	0	4,423,807
Improvements other than buildings	2,258,277	144,889	0	2,403,166
Machinery and equipment	402,893	47,531	0	450,424
Furniture and fixtures	30,461	6,242	0	36,703
Vehicles	318,916	32,066	0	350,982
Water Lines	1,233,167	36,346	0	1,269,513
Sewer Lines	2,139,562	59,325	0	2,198,887
<i>Total Accumulated Depreciation</i>	10,531,859	601,623	0	11,133,482
<i>Total capital assets being depreciated, net</i>	16,466,945	(188,000)	0	16,278,945
 <i>Total Business-Type Capital Assets, Net</i>	 \$ 16,667,986	 \$ (188,000)	 \$ 0	 \$ 16,479,986

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary: members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$470,381, \$469,286 and \$451,380, respectively. The full amount has been contributed for 2004 and 2003. 92 percent has been contributed for 2005 with the remainder being reported as a fund liability.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004 and 2003 were \$193,268, \$193,804 and \$203,672 for police and \$230,471, \$222,683 and \$217,286 for firefighters, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 71.99 percent and 72.36 percent has been contributed for 2005.

C. Medicare System:

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

NOTE 11: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered as Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of post retirement health care based on authority granted by state statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants was 376,109. Actual employer contributions for 2005 which were used to fund post employment benefits were \$138,856. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Members and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who received or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school on a full-time or two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

The portion of the 2005 covered payroll that was used to fund postretirement health care benefits was \$76,812 representing 7.75 percent of covered payroll for police and \$74,423 representing 7.75 percent of covered payroll for firefighters. The OP&F's total health care expenses for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 was 13,812 for police and 10,528 for firefighters.

NOTE 12: CONTRACTUAL COMMITMENTS

As of December 31, 2005, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2005
Nicholozakas Trucking & Construction - Sewer Project	\$ 906,887	\$ 0	\$ 906,887
Ohio Bridge - Cambridge Creek Crossing Project	228,171	0	228,171
Jobes Henderson - Wills Creek Valley Drive Project	96,142	74,923	21,219
Columbus Engineering - Campbell Avenue Bridge Project	57,780	48,020	9,760
	\$ 1,288,980	\$ 122,943	\$ 1,166,037

NOTE 13: COMPENSATED ABSENCES

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

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2005 the liability for unpaid compensated absences was \$704,906.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 14: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2005 consisted of the following:

	<u>Interest Rate</u>	<u>Principal Balance 1/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/2005</u>	<u>Due in One Year</u>
Governmental Activities						
Long-Term Debt:						
Special Assessment Bonds:						
Waterline Improvement	4.80%	\$ 39,923	\$ 38	\$ (2,593)	\$ 37,368	\$ 2,593
Sewerline Improvement	4.80%	114,035	109	(7,407)	106,737	7,407
Total Special Assessment Bonds		153,958	147	(10,000)	144,105	10,000
John Deere Mower Loan	2.55%	7,660	0	(7,660)	0	0
Ohio Public Works Commission Loans:						
Street Project '94	0.00%	714	0	(714)	0	0
Street Project '95	0.00%	2,794	0	(2,794)	0	0
Street Project '98	0.00%	5,156	0	(5,156)	0	0
Street Project '99	0.00%	4,592	0	(4,592)	0	0
Total OPWC Loans		13,256	0	(13,256)	0	0
Total Governmental Activities Long-Term Debt	0.00%	174,874	147	(30,916)	144,105	10,000
Other Long-Term Obligations:						
Compensated absences		687,612	0	(121,560)	566,052	25,433
Capital leases	5.5%-8.90%	49,368	110,294	(25,822)	133,840	33,522
Accrued pension liability		539,550	0	(8,915)	530,635	9,298
Total other long-term obligations		1,276,530	110,294	(156,297)	1,230,527	68,253
Total governmental activities long-term debt and other long-term debt obligations		<u>\$ 1,451,404</u>	<u>\$ 110,441</u>	<u>\$ (187,213)</u>	<u>\$ 1,374,632</u>	<u>\$ 78,253</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2005, \$144,105, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The special assessment debt is being paid from the bond retirement fund.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Maturity Year	Interest Rate	Principal Balance 1/1/2005	Additions	Reductions	Principal Balance 12/31/2005	Due in One Year	
Business-Type Activities							
Long-Term Debt:							
Mortgage Revenue Bonds:							
2015	Waterworks Improvement	4.60-5.50%	\$ 2,375,000	\$ 0	\$ (2,375,000)	\$ 0	\$ 0
	Unamortized discount		(27,077)	27,077	0	0	0
2015	Water System Refunding Bonds	3.78%	0	1,958,000	0	1,958,000	0
	Total Mortgage Revenue Bonds		<u>2,347,923</u>	<u>1,985,077</u>	<u>(2,375,000)</u>	<u>1,958,000</u>	<u>0</u>
OWDA Loans:							
2011	Water Pollution Improvement	5.00%	2,060,539	0	(302,448)	1,758,091	317,759
2019	Water Pollution Improvement	4.04%	2,935,040	0	(167,294)	2,767,746	174,121
2024	Digester and Sewer Lining	3.50%	746,331	0	(77,364)	668,967	80,095
	Total OWDA Loans		<u>5,741,910</u>	<u>0</u>	<u>(547,106)</u>	<u>5,194,804</u>	<u>571,975</u>
OPWC Loan:							
2022	Water Treatment Plant						
	Filter Rehabilitation	0.00%	156,788	0	(9,222)	147,566	9,223
	Total OPWC Loan		<u>156,788</u>	<u>0</u>	<u>(9,222)</u>	<u>147,566</u>	<u>9,223</u>
Total Business-Type Activities							
Long-Term Debt							
			8,246,621	1,985,077	(2,931,328)	7,300,370	581,198
Other Long-Term Obligations:							
	Compensated absences		<u>195,618</u>	<u>0</u>	<u>(56,764)</u>	<u>138,854</u>	<u>5,177</u>
Total Business-Type Activities							
Long-Term Debt and Other							
Long-Term Obligations							
			<u>\$ 8,442,239</u>	<u>\$ 1,985,077</u>	<u>\$ (2,988,092)</u>	<u>\$ 7,439,224</u>	<u>\$ 586,375</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2005 follows:

Years	Mortgage Revenue Bond		OWDA Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 0	\$ 74,012	\$ 571,975	\$ 220,143	\$ 33,522	\$ 4,054
2007	185,000	74,012	596,569	190,595	32,589	5,007
2008	193,000	67,020	623,742	163,294	21,500	3,335
2009	199,000	59,724	652,175	134,732	22,559	2,276
2010	211,000	52,202	682,006	108,735	23,670	1,165
2011-2015	1,170,000	136,194	1,496,168	294,625	0	0
2016-2020	0	0	572,169	41,106	0	0
Totals	<u>\$ 1,958,000</u>	<u>\$ 463,164</u>	<u>\$ 5,194,804</u>	<u>\$ 1,153,230</u>	<u>\$ 133,840</u>	<u>\$ 15,837</u>

Years	OPWC Loans		Police/Fire Accrued Pension Liability		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 9,223	\$ 0	\$ 9,298	\$ 22,486	\$ 9,864	\$ 8,295
2007	9,223	0	9,698	22,088	9,873	7,775
2008	9,223	0	10,114	21,671	9,884	7,250
2009	9,223	0	10,549	21,204	9,897	6,670
2010	9,223	0	10,967	20,786	0	0
2011-2015	46,114	0	62,512	96,251	59,750	24,360
2016-2020	46,114	0	76,933	81,622	44,837	5,220
2021-2025	9,223	0	94,959	63,569	0	0
2026-2030	0	0	117,210	41,290	0	0
2031-2035	0	0	128,395	13,799	0	0
Totals	<u>\$ 147,566</u>	<u>\$ 0</u>	<u>\$ 530,635</u>	<u>\$ 404,766</u>	<u>\$ 144,105</u>	<u>\$ 59,570</u>

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2005 was \$935,401 in principal and interest payments through the year 2035. Only the principal amount of \$530,635 is included in the Governmental Activities as a long-term liability.

During 2003, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a digester and sewer lining project. The total amount authorized for the loan was \$877,877.

During 1998, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a sludge facility project. The total amount authorized for the loan was \$3,873,566.

The City entered into agreement with the Ohio Water Development Authority (OWDA) for a treatment plant refinancing. The total amount authorized for the loan was \$5,042,434.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

The City refunded the 1995 Water System Mortgage Revenue Bonds in 2005. New Series 2005 Bonds were issued to pay off the old debt.

Water System Refunding Bonds

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 issuance costs of \$28,320 are reported as deferred charges and are included in interest and fiscal charges. The refunding resulting in a difference between the net carrying amount of the old debt and the acquisition price of \$64,114. This difference is reported in the accompanying financial statements as a reduction to interest and fiscal charges.

The City's overall legal debt margin was \$ 11,933,043 at December 31, 2005.

NOTE 15: CAPITAL LEASE

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

The following is a schedule of the future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2006	\$ 37,576
2007	37,596
2008	24,835
2009	24,835
2010	<u>24,835</u>
Minimum lease payments	149,677
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(15,837)</u>
Present value of minimum lease payments	<u>\$ 133,840</u>

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 16: INSURANCE AND RISK MANAGEMENT

Self Insurance

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

All funds of the City from which employee salaries are paid participate in the dental insurance program and make payments to the Self-Insurance Fund. Total contributions to the program during the year were \$147,151. The claims liability of \$5,284 reported in the Self-Insurance Fund at December 31, 2005 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal 2004 and 2005 were as follows:

<u>Fiscal Year</u>	<u>Liability</u>	<u>Expense</u>	<u>Payments</u>	<u>Year End</u>
2005	\$ 4,488	\$ 72,321	\$ 71,525	\$ 5,284
2004	85,348	58,349	139,209	4,488

Risk Pool Membership

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, the City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 2003, 2004 and 2005.

Casualty Insurance

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

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

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
 December 31, 2005

NOTE 16: INSURANCE AND RISK MANAGEMENT (Continued)

Property Insurance

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 (latest information available):

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

<u>Property Coverage</u>	<u>2004</u>
Assets	\$ 3,652,970
Liabilities	<u>(544,771)</u>
Retained Earnings	<u><u>\$ 3,108,199</u></u>

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

NOTE 17: JOINTLY GOVERNED ORGANIZATION

The City is associated with the Southeastern Ohio Narcotics Team (S.E.N.T.). S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas Counties. S.E.N.T. is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 32 board members, the City appoints two. Each member's control over the operation of S.E.N.T. is limited to its representation on the board. In 2005 the City contributed \$17,431 to S.E.N.T., which represents 93 percent of total contributions.

CITY OF CAMBRIDGE, OHIO
Notes to the Basic Financial Statements (Continued)
December 31, 2005

NOTE 18: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2005, there were two series of Revenue Bonds outstanding, with a principal amount payable of \$22,445,000.

NOTE 19: CONTINGENCIES

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

The City received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2005.

August 16, 2006

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cambridge (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of the City in a separate letter dated August 16, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 16, 2006.

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

Rea & Associates, Inc.

August 16, 2006

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

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

Compliance

We have audited the compliance of the City of Cambridge (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Cambridge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. However, we noted certain instances of noncompliance that we have reported to management of the City in a separate letter dated August 16, 2006.

Internal Control over Compliance

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

City of Cambridge, Ohio
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133
August 16, 2006
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over compliance and operations that we have reported to management of the City in a separate letter dated August 16, 2006.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of Cambridge, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2006. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hea & Associates, Inc.

City of Cambridge
Guernsey County

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Justice</u>			
<i>Passed through Ohio Attorney General's Office</i>			
Crime Victim Assistance	2006-VA-GENE-029	16.575	\$ 1,762
	2005-VA-GENE-029	16.575	13,683
	2004-VA-GENE-029	16.575	867
			<u>16,312</u>
<i>Passed through Office of Criminal Justice Services</i>			
Byrne Formula Grant Program	2004-DG-A01-7195	16.579	135,544
<i>Direct Programs:</i>			
Local Law Enforcement Block Grant		16.592	<u>4,518</u>
Total U.S. Department of Justice			156,374
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Award</i>			
Economic Development Assistance Grant		11.300	11,039
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State Program			
Small Cities Program	A-C-03-100-1	14.228	78,932
Small Cities Program	A-F-04-100-1	14.228	82,928
			<u>161,860</u>
HOME Investment Partnerships Program	A-C-03-100-2	14.239	<u>222,186</u>
Total U.S. Department of Housing and Urban Development			395,085
<u>U.S. Department of Homeland Security</u>			
<i>Direct Award</i>			
Assistance to Firefighters Grant	EMW-2003-FG-04090	97.044	<u>64,020</u>
Total Expenditures of Federal Awards			<u><u>\$ 615,479</u></u>

**CITY OF CAMBRIDGE
GUERNSEY COUNTY, OHIO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	BYRNE CFDA #16.579 HOME CFDA #14.239
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

NONE	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE	
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**CITY OF CAMBRIDGE
GUERNSEY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Ohio Rev. Code Section 5705.10 states money paid into one fund may only be used for the purposes for which such fund was established.	Yes	
2004-002	Ohio Rev. Code Section 5705.41(D) prohibits a subdivision of taxing authority from making and contract or ordering any expenditures unless certified by the fiscal officer.	No	Partially Corrected Improvement has been made and comment has been moved to the management letter



**Auditor of State
Betty Montgomery**

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CITY OF CAMBRIDGE

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**