

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Cambridge, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole.

The City's receipts totaled \$706,781 for the year ended June 30, 2006. The receipts included \$141,287 in property tax, \$264,043 from charges for service, \$96,258 from operating grants, contributions and restricted interest, \$94,017 from capital grants, contributions and restricted interest, \$77,641 from local option sales tax, \$2,925 from unrestricted investment earnings and \$30,610 from other general receipts.

Disbursements for the year totaled \$812,534 and included \$348,141 for business type activities, \$111,347 for public works, and \$90,657 for community and economic development.

A copy of the audit report is available for review in the City Clerk's office.

CITY OF CAMBRIDGE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006



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City of Cambridge

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott DeYoung	Mayor	Dec 2009
David Hilgenberg	Council Member/Mayor Pro tem	Dec 2007
Steven Kovarik	Council Member	Dec 2007
Sue Relyea ***	Council Member	Dec 2005
Drew Bouvette	Council Member	Dec 2009
Chris Clark	Council Member	Dec 2009
Debra Thompson	City Clerk/Treasurer	Indefinite
Michael Lewis	Attorney	Dec 2007

*** Sue Relyea was replaced by Sean Hickey when her term expired. Sean Hickey's term expires in December 2009.

City of Cambridge

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

316 S. Duff Suite B – PO Box 187
Ames, Iowa 50010
Phone:515-233-4060 FAX:515-233-3703

13375 University Ave, Suite 203
Clive, Iowa 50325
Phone:515-252-7141 FAX:515-252-7073

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

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, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dallas Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards 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 our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Cambridge as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 8, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2007 on our consideration of the City of Cambridge'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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Budgetary comparison information on pages 21 through 23 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cambridge's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 6, 2007
Ames, Iowa

City of Cambridge

Basic Financial Statements

City of Cambridge

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 78,198	2,082	24,500	-
Public works	111,347	-	68,571	-
Health and social services	14,009	-	-	-
Culture and recreation	58,550	7,947	900	-
Community and economic development	90,657	1,200	2,287	27,084
General government	42,557	-	-	-
Debt service	16,922	-	-	-
Capital projects	52,153	-	-	66,933
Total governmental activities	464,393	11,229	96,258	94,017
Business type activities:				
Water	216,504	119,028	-	-
Sewer	68,359	69,497	-	-
Garbage	63,278	67,079	-	-
Total business type activities	348,141	255,604	-	-
Total	\$ 527,671	78,308	96,258	94,017
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
SRF loan proceeds, net of fees				
Rent				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(51,616)	-	(51,616)
(42,776)	-	(42,776)
(14,009)	-	(14,009)
(49,703)	-	(49,703)
(60,086)	-	(60,086)
(42,557)	-	(42,557)
(16,922)	-	(16,922)
14,780	-	14,780
<u>(262,889)</u>	<u>-</u>	<u>(262,889)</u>
-	(97,476)	(97,476)
-	1,138	1,138
-	3,801	3,801
<u>-</u>	<u>(92,537)</u>	<u>(92,537)</u>
<u>(262,889)</u>	<u>(92,537)</u>	<u>(259,088)</u>
124,392	-	124,392
16,895	-	16,895
77,641	-	77,641
2,649	276	2,925
10,895	-	10,895
-	14,595	14,595
2,330	-	2,330
<u>(69,639)</u>	<u>69,639</u>	<u>-</u>
<u>165,163</u>	<u>84,510</u>	<u>249,673</u>
(97,726)	(8,027)	(105,753)
289,347	57,761	347,108
<u>\$ 191,621</u>	<u>49,734</u>	<u>241,355</u>
\$ -	-	-
104	-	104
-	-	-
<u>191,517</u>	<u>49,734</u>	<u>241,251</u>
<u>191,621</u>	<u>49,734</u>	<u>241,355</u>

City of Cambridge
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2006

	General	Special Revenue	Capital Project	Other Nonmajor	Total
		Road Use Tax	Water Improvements	Governmental Funds	
Receipts:					
Property tax	\$ 124,392	-	-	16,895	141,287
Other city tax	77,641	-	-	-	77,641
Licenses and permits	1,740	-	-	-	1,740
Use of money and property	4,979	-	-	-	4,979
Intergovernmental	24,500	68,571	66,933	29,371	189,375
Charges for service	8,439	-	-	-	8,439
Miscellaneous	12,845	-	-	-	12,845
Total receipts	254,536	68,571	66,933	46,266	436,306
Disbursements:					
Operating:					
Public safety	78,198	-	-	-	78,198
Public works	43,952	67,395	-	-	111,347
Health and social services	14,009	-	-	-	14,009
Culture and recreation	58,550	-	-	-	58,550
Community and economic development	90,652	-	-	5	90,657
General government	42,557	-	-	-	42,557
Debt service	-	-	-	16,922	16,922
Capital projects	-	-	39,403	12,750	52,153
Total disbursements	327,918	67,395	39,403	29,677	464,393
Excess (deficiency) of receipts over (under) disbursements	(73,382)	1,176	27,530	16,589	(28,087)
Other financing sources (uses):					
Sale of fixed assets	-	-	-	-	-
Operating transfers in	14,435	-	-	-	14,435
Operating transfers out	(30,000)	-	(39,639)	(14,435)	(84,074)
Total other financing sources (uses)	(15,565)	-	(39,639)	(14,435)	(69,639)
Net change in cash balances	(88,947)	1,176	(12,109)	2,154	(97,726)
Cash balances beginning of year	237,912	36,201	12,209	3,025	289,347
Cash balances end of year	\$ 148,965	37,377	100	5,179	191,621
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	-	-	104	104
Unreserved:					
General fund	148,965	-	-	-	148,965
Special revenue funds	-	37,377	-	5,075	42,452
Capital projects funds	-	-	100	-	100
Total cash basis fund balances	\$ 148,965	37,377	100	5,179	191,621

See notes to financial statements.

City of Cambridge

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise Funds					Total
	Water	Water Capital Improvement	Sewer	Sewer Capital Improvements	Garbage	
Operating receipts:						
Charges for service	\$ 119,028	-	69,497	-	67,079	255,604
Miscellaneous	14,558	-	37	-	-	14,595
Total operating receipts	133,586	-	69,534	-	67,079	270,199
Operating disbursements:						
Business type activities	174,467	-	42,219	-	63,278	279,964
Excess (deficiency) of operating receipts over (under) operating disbursements	(40,881)	-	27,315	-	3,801	(9,765)
Non-operating receipts (disbursements):						
Interest on investments	13	-	263	-	-	276
Debt service	(42,037)	-	(26,140)	-	-	(68,177)
Total non-operating receipts (disbursements)	(42,024)	-	(25,877)	-	-	(67,901)
Excess (deficiency) of receipts over (under) disbursements	(82,905)	-	1,438	-	3,801	(77,666)
Other financing sources (uses):						
Operating transfers in	69,639	-	-	-	-	69,639
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	69,639	-	-	-	-	69,639
Net change in cash balances	(13,266)	-	1,438	-	3,801	(8,027)
Cash balances beginning of year	16,648	15,000	2,030	20,000	4,083	57,761
Cash balances end of year	\$ 3,382	15,000	3,468	20,000	7,884	\$ 49,734
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	-	-	-	-
Unreserved	3,382	15,000	3,468	20,000	7,884	49,734
Total cash basis fund balances	\$ 3,382	15,000	3,468	20,000	7,884	\$ 49,734

See notes to financial statements.

City of Cambridge

City of Cambridge

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Cambridge is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cambridge has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in four jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Story County Mayor's Board, Story County Emergency Management System Board, Story County Economic Development Group and the Resource Enhancement and Improvement Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

Capital Projects:

The Water Improvements Fund is used to account for the ongoing improvements being made to the City's water facilities including the construction of the new water tower.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Capital Improvement Fund is accumulating monies set aside for future improvements to the water facilities.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Capital Improvement Fund is accumulating monies set aside for future improvements to the sewer facilities.

The Garbage Fund accounts for the operation of garbage collection within the City.

C. Measurement Focus and Basis of Accounting

The City of Cambridge maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds Payable

Annual debt service requirements to maturity for the City's general obligation debt and revenue bonds are as follows:

Year Ending June 30,	Fire Truck Loan		Sewer SRF Series 2001		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 15,522	1,400	16,000	8,880	24,000	16,920	55,522	27,200
2008	16,308	614	16,000	8,400	25,000	16,200	57,308	25,214
2009	-	-	17,000	7,920	26,000	15,450	43,000	23,370
2010	-	-	17,000	7,410	26,000	14,670	43,000	22,080
2011	-	-	18,000	6,900	27,000	13,890	45,000	20,790
2012-2016	-	-	99,000	26,010	149,000	56,700	248,000	82,710
2017-2021	-	-	113,000	10,380	170,000	33,150	283,000	43,530
2022-2024	-	-	-	-	117,000	7,080	117,000	7,080
Total	\$ 31,830	2,014	296,000	75,900	564,000	174,060	891,830	251,974

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer and water revenue bond sinking accounts within the Enterprise funds for the purpose of making the bond principal and interest payments when due.
- (c) Once the required transfers to the Sinking fund have been made, all of the remaining net revenues shall be put into a Surplus fund.

The City is not in compliance with these provisions at June 30, 2006.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain

employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2006 was \$4,286 equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate vacation hours on a calendar year. If the vacation hours are not used within the year, they are forfeited. The amount of accumulated vacation time at June 30, 2006, if any, would be immaterial and is therefore not disclosed.

The City does not have a policy on the payout of unused sick time.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Enterprise		
Water	General	<u>\$ 30,000</u>
	Capital Project:	
General	Housing Rehabilitation	14,435
Special Revenue:		
Employee Benefits	Water Improvements	<u>39,639</u>
		<u>54,074</u>
Total		<u>\$ 84,074</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

(8) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

(9) Subsequent Events

Subsequent to June 30, 2006, the City issued \$640,000 of water revenue bonds to finance the new water tower being constructed. A construction contract was awarded for the water tower in the amount of \$577,200.

Required Supplementary Information

City of Cambridge
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 141,287	-	141,287
Other city tax	77,641	-	77,641
Licenses and permits	1,740	-	1,740
Use of money and property	4,979	276	5,255
Intergovernmental	189,375	-	189,375
Charges for service	8,439	255,604	264,043
Miscellaneous	12,845	14,595	27,440
Total receipts	<u>436,306</u>	<u>270,475</u>	<u>706,781</u>
Disbursements:			
Public safety	78,198	-	78,198
Public works	111,347	-	111,347
Health and social services	14,009	-	14,009
Culture and recreation	58,550	-	58,550
Community and economic development	90,657	-	90,657
General government	42,557	-	42,557
Debt service	16,922	-	16,922
Capital projects	52,153	-	52,153
Business type activities	-	279,964	279,964
Total disbursements	<u>464,393</u>	<u>279,964</u>	<u>744,357</u>
Excess (deficiency) of receipts over (under) disbursements	(28,087)	(9,489)	(37,576)
Other financing sources, net	<u>(69,639)</u>	69,639	-
Excess (deficiency) of receipts and other financing sources over disbursements	(97,726)	60,150	(37,576)
Balances beginning of year	<u>289,347</u>	<u>57,761</u>	<u>347,108</u>
Balances end of year	<u>\$ 191,621</u>	<u>117,911</u>	<u>309,532</u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to Total Variance
Original	Final	
138,331	138,331	2,956
74,048	81,166	(3,525)
1,627	1,827	(87)
4,900	5,640	(385)
96,356	225,532	(36,157)
233,855	327,988	(63,945)
4,500	28,000	(560)
<u>553,617</u>	<u>808,484</u>	<u>(101,703)</u>
78,600	80,750	2,552
126,740	136,712	25,365
7,850	17,250	3,241
62,292	64,936	6,386
-	100,000	9,343
46,790	50,296	7,739
16,923	16,923	1
-	27,185	(24,968)
<u>222,630</u>	<u>459,969</u>	<u>180,005</u>
<u>561,825</u>	<u>954,021</u>	<u>209,664</u>
(8,208)	(145,537)	107,961
-	-	-
<u>(8,208)</u>	<u>(145,537)</u>	<u>107,961</u>
<u>330,560</u>	<u>330,560</u>	<u>16,548</u>
<u>322,352</u>	<u>185,023</u>	<u>124,509</u>

City of Cambridge

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$254,867 and budgeted disbursements by \$392,196. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects function.

Other Supplementary Information

City of Cambridge

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue		Project	
	Economic Development	Debt Service	Housing Rehabilitation	Total
Receipts:				
Property tax	\$ -	16,895	-	16,895
Intergovernmental	2,287	-	27,084	29,371
Total receipts	<u>2,287</u>	<u>16,895</u>	<u>27,084</u>	<u>46,266</u>
Disbursements:				
Debt Service	-	16,922	-	16,922
Capital projects	-	-	12,750	12,750
Community and Economic Development	5	-	-	5
Total	<u>5</u>	<u>16,922</u>	<u>12,750</u>	<u>29,677</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,282</u>	<u>(27)</u>	<u>14,334</u>	<u>16,589</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(14,435)	(14,435)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(14,435)</u>	<u>(14,435)</u>
Net change in cash balances	2,282	(27)	(101)	2,154
Cash balances beginning of year	<u>2,793</u>	<u>131</u>	<u>101</u>	<u>3,025</u>
Cash balances end of year	<u>\$ 5,075</u>	<u>104</u>	<u>-</u>	<u>5,179</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	104	-	104
Unreserved:				
Special Revenue	<u>5,075</u>	<u>-</u>	<u>-</u>	<u>5,075</u>
Total cash basis fund balances	<u>\$ 5,075</u>	<u>104</u>	<u>-</u>	<u>5,179</u>

See accompanying independent auditors' report.

City of Cambridge
Schedule of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation:			
Fire truck loan	Dec. 15, 1997	5.00%	\$ 129,000
Revenue Bonds:			
Sewer - SRF Series 2001	Dec. 19, 2001	3.00%	\$ 448,000
Water	Aug. 25, 2004	3.00%	610,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 46,604	-	14,774	31,830	2,148	-
\$ 312,000	\$ -	16,000	296,000	9,360	-
585,000	-	23,000	564,000	17,570	-
\$ 897,000	-	39,000	860,000	26,930	-

City of Cambridge

Loan Maturities

Year ended June 30, 2006

Year Ending June 30,	General Obligation Fire Truck Issued Dec 15, 1997			
	Interest			
	Rates	Amount		
2007	5.00%	7,665		
2008	5.00%	7,857		
2009	5.00%	8,053		
2010	5.00%	8,255		
2011	5.00%	-		
2012	5.00%	-		
2013	5.00%	-		
Total		<u>\$ 31,830</u>		

Year Ending June 30,	Sewer Revenue Bonds Issued Dec 2001		Water Revenue Bonds Issued Aug 2004	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2007	3.00%	16,000	3.00%	24,000
2008	3.00%	16,000	3.00%	25,000
2009	3.00%	17,000	3.00%	26,000
2010	3.00%	17,000	3.00%	26,000
2011	3.00%	18,000	3.00%	27,000
2012-2016	3.00%	99,000	3.00%	149,000
2017-2021	3.00%	113,000	3.00%	170,000
2022-2025	3.00%	-	3.00%	117,000
Total		<u>\$ 296,000</u>		<u>\$ 564,000</u>

See accompanying independent auditors' report.

City of Cambridge

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

	<u>2006</u>
Receipts:	
Property tax	\$ 141,287
Other city tax	77,641
Licenses and permits	1,740
Use of money and property	4,979
Intergovernmental	189,375
Charges for service	8,439
Miscellaneous	12,845
	<u> </u>
Total	<u>\$ 436,306</u>
Disbursements:	
Operating:	
Public safety	\$ 78,198
Public works	111,347
Health and social services	14,009
Culture and recreation	58,550
Community and economic development	90,657
General government	42,557
Debt service	16,922
Capital projects	52,153
	<u> </u>
Total	<u>\$ 464,393</u>

See accompanying independent auditors' report.

Independent Auditors' 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

City of Cambridge

Independent Auditors' 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

To the Honorable Mayor and
Members of the City Council:

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 as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 6, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards 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 of Cambridge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Cambridge's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cambridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Cambridge and other parties to whom the City of Cambridge may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cambridge during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

June 6, 2007
Ames, Iowa

City of Cambridge
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over the following areas for the City:

- (1) Receipt--collecting, depositing, journalizing and posting.
- (2) Investments—investing, recording and custody.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its operating procedures to obtain the maximum internal control possible.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation – The City should implement the additional control procedure to reconcile utility billings, collections and delinquencies for each billing period. The Council should review the reconciliations and monitor delinquencies.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Cambridge

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the capital projects type function. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – Although the budget was amended, it should have been amended in amounts that were sufficient to avoid actual disbursements from exceeding the budget.

Response – The budget will be amended in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transactions noted between the City and City officials or employees were as follows:

David Hilgenberg, Council Member, owner of Hilgenberg Small Engine Repair	Services	\$48
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In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- (6) Council Minutes – We noted a couple of transactions that we believe should have been approved in the Council minutes but were not. The disbursements were for a computer and software purchased by the Library. Invoices for these items were also unable to be located.

Also, although minutes of Council proceedings were published, they were not always published within 15 days of the meetings in accordance with Ch. 372.13 of the Code of Iowa.

City of Cambridge
Schedule of Findings

Year ended June 30, 2006

Recommendation – The City should document approval for all disbursements as well as keep the original invoices. Minutes of Council proceedings should be published as required.

Response - We will do so.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy in accordance with Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy as required.

Response – We will do so.

Conclusion – Response accepted.

- (8) Revenue Bonds – The City is not in compliance with the provisions of the Sewer and Water Revenue Bonds. Sewer net revenues are not equal to at least 110% of the next principal and interest payment coming due. Also, the City has not established the sinking fund or surplus fund as required by the Sewer and Water bond resolutions.

Recommendation – The City should add the required funds into their accounting system and ensure that the net revenues meet the minimum requirement.

Response – We will do so.

Conclusion – Response accepted.

- (9) Form 1099's – The City did not properly prepare Form 1099's as required by the Internal Revenue Service.

Recommendation – The City should prepare 1099's as required.

Response – We will do so.

Conclusion – Response accepted.
