

**CITY OF CAMPBELL
MAHONING COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Members of City Council
City of Campbell
351 Tenney Avenue
Campbell, Ohio 44405

We have reviewed the *Independent Auditor's Report* of the City of Campbell, Mahoning County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 Campbell is responsible for compliance with these laws and regulations.

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Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2019

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**CITY OF CAMPBELL
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Campbell
Campbell, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Campbell as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Street Construction, Maintenance, and Repair Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the City's internal control over financial reporting and on 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 28, 2019

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City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The discussion and analysis of the City of Campbell's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2018 are as follows:

- The City implemented GASB 75, which established standards for measuring and recognizing other postemployment benefit (OPEB) liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of the GASB statement resulted in a significant change to the financial statements for the City.
- The City's governmental net position decreased in 2018 due mainly to an increase in the net OPEB liability and deferred inflows of resources related to the net pension/OPEB liabilities. The City's business-type net position increased due mainly to decreases in the net pension/OPEB liabilities due to a change in the City's internal proportionate share.
- The City of Campbell utilized the services of the Regional Income Tax Agency (R.I.T.A.) during 2017. R.I.T.A. has administered and collected the City's income taxes since January 1, 2005. As a result, income tax collections for the City's general fund are remaining consistent with the prior year; due in part to accelerated collections of delinquencies, collecting from prior non-filers, and enforcing payment of quarterly estimated taxes by individuals.
- Total governmental capital assets decreased despite additions to land improvements and vehicles. Current year depreciation was greater than the sum of these additions. The business-type activities capital assets remained relatively consistent with the prior year as the City completed the Water Interconnect project which was offset by an additional year of depreciation expense.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand the City of Campbell as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial 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.

Reporting on the City of Campbell as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question.

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These statements include all *assets* and *deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities – Most of the City's programs and services are reported here including general government, security of persons and property, transportation, community development and leisure time activities. These services are funded primarily by taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

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.

Reporting on the Most Significant Funds of the City of Campbell

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street construction, maintenance and repair special revenue fund.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise funds are the water and storm water management funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund reports on City departments' self-insurance programs for employee medical/hospitalization, dental, vision and life benefits.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The City of Campbell as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2018 as they compare to 2017.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$4,587,639	\$4,779,347	\$1,929,322	\$1,384,200	6,516,961	\$6,163,547
Capital Assets, Net	2,495,039	2,568,422	5,376,626	5,379,609	7,871,665	7,948,031
<i>Total Assets</i>	<u>7,082,678</u>	<u>7,347,769</u>	<u>7,305,948</u>	<u>6,763,809</u>	<u>14,388,626</u>	<u>14,111,578</u>
Deferred Outflows of Resources						
Pension	743,522	911,416	119,413	414,852	743,516	1,326,268
OPEB	353,095	10,292	24,032	6,197	304,338	16,489
<i>Total Deferred Outflows of Resources</i>	<u>1,096,617</u>	<u>921,708</u>	<u>143,445</u>	<u>421,049</u>	<u>1,047,854</u>	<u>1,342,757</u>
Liabilities						
Current Liabilities	303,044	161,785	108,808	93,779	411,852	255,564
Long-term Liabilities						
Due within one Year	159,390	165,326	199,828	198,605	359,218	363,931
Due in More than one Year						
Net Pension Liability	3,461,407	3,877,274	497,451	1,062,813	3,958,858	4,940,087
Net OPEB Liability	2,956,578	2,570,050	324,866	447,122	3,281,444	3,017,172
Other Amounts	650,099	684,733	1,282,706	1,335,326	1,932,805	2,020,059
<i>Total Liabilities</i>	<u>\$7,530,518</u>	<u>\$7,459,168</u>	<u>\$2,413,659</u>	<u>\$3,137,645</u>	<u>\$9,944,177</u>	<u>\$10,596,813</u>

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(Table 1)
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Deferred Inflows of Resources						
Property Taxes	\$608,109	\$771,877	\$0	\$0	\$608,109	\$771,877
Pension	673,311	289,846	274,659	6,325	828,551	296,171
OPEB	201,931	0	122,272	0	251,414	0
<i>Total Deferred Inflows of Resources</i>	<u>1,483,351</u>	<u>1,061,723</u>	<u>396,931</u>	<u>6,325</u>	<u>1,688,074</u>	<u>1,068,048</u>
Net Position						
Net Investment in Capital Assets	2,388,241	2,482,902	3,945,694	3,914,224	6,333,935	6,397,126
Restricted for:						
Capital Projects	186,284	272,392	0	0	186,284	272,392
Safety Forces	118,826	125,190	0	0	118,826	125,190
Streets	306,080	245,699	0	0	306,080	245,699
Parks	344,843	379,479	0	0	344,843	379,479
Other Purposes	1,023,971	936,260	0	0	1,023,971	936,260
Unrestricted (Deficit)	<u>(5,202,819)</u>	<u>(4,693,336)</u>	<u>693,109</u>	<u>126,664</u>	<u>(4,509,710)</u>	<u>(4,566,672)</u>
<i>Total Net Position</i>	<u><u>(\$834,574)</u></u>	<u><u>(\$251,414)</u></u>	<u><u>\$4,638,803</u></u>	<u><u>\$4,040,888</u></u>	<u><u>\$3,804,229</u></u>	<u><u>\$3,789,474</u></u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these

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liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract, but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating governmental net position at December 31, 2017, from \$2,308,344 to (\$251,414) and restating business-type net position at December 31, 2017 from \$4,481,813 to \$4,040,888.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has remained relatively consistent with the prior year as evidenced by the slight decrease in net position for governmental and business-type activities combined.

The decrease in governmental net position can be attributed to a decrease in current assets coupled with increases in current liabilities and deferred inflows of resources related to the net pension/OPEB liabilities. The decrease in current assets was due to a decrease in intergovernmental receivables and property taxes receivable. The decrease in property taxes receivable is a result of the City's assessed values continuing to decline. The City continues to seek out additional sources of revenues. Current liabilities increased due to increases in contracts and intergovernmental payables. The net pension/OPEB liabilities represent the City's proportionate share of the pension/OPEB plans' unfunded benefits. As indicated above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liabilities.

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The net position for business-type activities increased from 2017. The increase in business-type net position can be attributed to an increase in current assets coupled with decreases in the net pension/OPEB liabilities. Current assets increased primarily due to an increase in cash and cash equivalents as the enterprise funds continue to generate more revenue than the expenses incurred during the year. The decreases in the net pension/OPEB liabilities are due to a change in the City's internal proportionate share, which means the governmental portion of these liabilities has increased over the last year.

Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for fiscal years 2018 and 2017.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$673,267	\$617,001	\$2,327,516	\$2,368,006	\$3,000,783	\$2,985,007
Operating Grants and Contributions	755,507	1,180,607	0	0	755,507	1,180,607
Capital Grants	160	204,127	0	25,000	160	229,127
<i>Total Program Revenues</i>	<u>1,428,934</u>	<u>2,001,735</u>	<u>2,327,516</u>	<u>2,393,006</u>	<u>3,756,450</u>	<u>4,394,741</u>
General Revenues						
Property Taxes	540,623	602,914	0	0	540,623	602,914
Municipal Income Tax	2,015,599	2,011,959	0	0	2,015,599	2,011,959
Grants and Entitlements not Restricted to Specific Programs	271,106	368,802	0	0	271,106	368,802
Interest	27,904	4,989	0	0	27,904	4,989
Unrestricted Contributions	0	13,445	0	0	0	13,445
Other	275,462	413,327	17,160	0	292,622	413,327
<i>Total General Revenues</i>	<u>3,130,694</u>	<u>3,415,436</u>	<u>17,160</u>	<u>0</u>	<u>3,147,854</u>	<u>3,415,436</u>
<i>Total Revenues</i>	<u>\$4,559,628</u>	<u>\$5,417,171</u>	<u>\$2,344,676</u>	<u>\$2,393,006</u>	<u>\$6,904,304</u>	<u>\$7,810,177</u>

City of Campbell
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(Table 2)
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Expenses						
General Government	\$1,461,914	\$1,798,248	\$0	\$0	\$1,461,914	\$1,798,248
Security of Persons and Property:						
Police	1,996,881	1,936,516	0	0	1,996,881	1,936,516
Fire	610,672	556,482	0	0	610,672	556,482
Transportation	815,857	1,082,961	0	0	815,857	1,082,961
Community Environment	54,704	628,545	0	0	54,704	628,545
Leisure Time Activities	137,654	210,045	0	0	137,654	210,045
Interest and Fiscal Charges	19,562	20,482	0	0	19,562	20,482
Water	0	0	1,734,670	2,149,507	1,734,670	2,149,507
Storm Water Management	0	0	57,635	128,086	57,635	128,086
<i>Total Program Expenses</i>	<u>5,097,244</u>	<u>6,233,279</u>	<u>1,792,305</u>	<u>2,277,593</u>	<u>6,889,549</u>	<u>8,510,872</u>
Transfers	(45,544)	2,918	45,544	(2,918)	0	0
<i>Change in Net Position</i>	<u>(583,160)</u>	<u>(813,190)</u>	<u>597,915</u>	<u>112,495</u>	<u>14,755</u>	<u>(700,695)</u>
Net Position Beginning of Year	(251,414)	N/A	4,040,888	N/A	3,789,474	N/A
Net Position End of the Year	<u>(\$834,574)</u>	<u>(\$251,414)</u>	<u>\$4,638,803</u>	<u>\$4,040,888</u>	<u>\$3,804,229</u>	<u>\$3,789,474</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$16,489 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned and adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report an OPEB expense of \$233,623. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$5,097,244	\$1,792,305	\$6,889,549
OPEB expense under GASB 75	(251,317)	17,694	(233,623)
2018 contractually required contribution	5,661	125	5,786
Adjusted 2018 program expenses	4,851,588	1,810,124	6,661,712
Total 2017 program expenses under GASB 45	<u>6,233,279</u>	<u>2,277,593</u>	<u>8,510,872</u>
Increase (Decrease) in program expenses not related to OPEB	<u>(\$1,381,691)</u>	<u>(\$467,469)</u>	<u>(\$1,849,160)</u>

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. For 2018, annual income tax receipts were more than half of all general revenues at 64 percent. The City's income tax rate is currently 2.5 percent. Residents of the City who work in another community receive a 100 percent credit on income earned outside the City and paid to another municipality.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The City monitors its source of revenues very closely for fluctuations. Local government funding has been reduced for the past several years and is anticipated to be stagnant in the future. This is a direct result of the planned State budget reduction. Investment earnings and miscellaneous receipts are insignificant and are somewhat unpredictable revenue sources.

Program revenues represent less than half of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, fine money allocated to and restricted for use by the municipal court and grant money restricted by the State and Federal granting agencies.

Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, finance (income tax, central cash, accounts payable, and payroll), and the Municipal Court.

Security of persons and property are the costs of police and fire protection; transportation is the cost of maintaining the roads; community environment represents expenses for private residential rehab and other activities through the CHIP program, and other activities which include road paving under the Small Cities Formula Allocation Program, both of which are funded with Federal Community Development Block Grants; leisure time activities are the costs of maintaining the parks and playing fields. There was a significant decrease in community environment expenses from 2017 due to the City receiving a large grant in the prior year. The City Administration continues to show vigilance and cut costs in all categories, excluding safety forces.

A separate five-year, three mills Safety Forces Levy provides approximately \$200,000 net of County Auditor and Treasurer's fees annually, allocated \$100,000 each to offset salaries from the Police and Fire Departments.

Business-Type Activities

The City operates two business-type activities, the water treatment and storm water management. These two activities received charges for services of \$2,172,105 from water and \$155,411 from storm water management. The largest sources of revenue for both water and storm water in 2018 were charges for services. Water and storm water management expenses for 2018 amounted to \$1,734,670 and \$57,635, respectively. Payroll and employees benefits are the largest expense for the water fund.

The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting.

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

As of the end of 2018, the City of Campbell's governmental funds reported a positive combined ending fund balance. The City's major governmental funds are the general fund and the street construction, maintenance and repair special revenue fund. Expenditures outpaced revenues for the year in the general fund despite increases in income taxes and fines, licenses and permits. Total general fund expenditures remained relatively consistent with the prior year. The assessed values upon which 2018 property tax receipts are based on decreased significantly from the prior year. The street construction, maintenance and repair special revenue fund had a slight increase in fund balance due to a decrease in street maintenance spending.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$2,344,676 and total operating expenses of \$1,751,089. If expenses were to exceed revenue and dramatically affect net position, the City has the power to increase revenue through water rate increases.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2018, actual revenues for the general fund were less than final estimated revenues due to all revenues coming in lower than expected for the year. City Council's actual expenditures were less than final appropriations in total. However, security of persons and property expenditures were more than final appropriations due to unexpected costs occurring near year end.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation decreased. Current year capital asset additions consist of a salt shed and a police vehicle. The value of these additions was less than the current year depreciation, resulting in the decrease to capital assets.

Total capital assets for the business-type activities, net of accumulated depreciation increased due to the completion of infrastructure projects offset by an additional year of accumulated depreciation being taken. The City completed the Water Interconnect project in 2018. See Note 10 to the basic financial statements for additional information on capital assets.

Long-Term Obligations

The long-term obligations include net pension liability, police and fire pension payments, OPWC and OWDA loans, capital leases and compensated absences.

For the business-type funds, OWDA debt was issued for the water interconnection project. The City continued to draw down proceeds on this loan in 2018. The loan has not been finalized and therefore is not included in the schedule of debt service payments.

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Police and Fire Pension accrued liability payments are funded by two separate allocations of .3 mills inside millage, which generates approximately \$42,000 annually.

The Jail Services liability is the amount owed to Mahoning County for housing some of the City's prisoners.

In prior years, the City entered into a capital lease agreement for a tractor and street sweeper.

The City of Campbell's overall legal debt margin was \$6,381,660 on December 31, 2018. For more information about the City's long-term obligations, see Note 13 to the basic financial statements.

Current Financial Issues

The City voters passed a renewal of a five year 3.5 mill current expense tax levy on November 2, 2013. This levy generates additional revenue to help the City with its current financial responsibilities.

The City is encouraging development of the land located in former steel mill property since the property has now been environmentally cleared. A grant was obtained for Brownfield restoration and environmental studies.

The challenge for the City is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The City relies heavily on local taxes and has very little industry to support the tax base. Faced with declining revenues, increased costs for goods and services, primarily energy costs, the City is attempting to hold down on expenditures wherever possible, and keep personnel costs in check.

Contacting the City of Campbell's Financial Management

This financial report is designed to provide our citizen's, 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 questions about this report or need additional financial information, please contact Yianni Tiliakos, Director of Finance, 351 Tenney Avenue, Campbell, Ohio 44405, telephone 330-755-9863.

City of Campbell, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,657,789	\$1,761,561	\$3,419,350
Accounts Receivable	51,787	375,926	427,713
Internal Balances	213,457	(213,457)	0
Intergovernmental Receivable	404,333	5,292	409,625
Property Taxes Receivable	912,908	0	912,908
Income Taxes Receivable	1,334,597	0	1,334,597
Materials and Supplies Inventory	12,768	0	12,768
Nondepreciable Capital Assets	777,598	34,280	811,878
Depreciable Capital Assets, Net	1,717,441	5,342,346	7,059,787
<i>Total Assets</i>	<u>7,082,678</u>	<u>7,305,948</u>	<u>14,388,626</u>
Deferred Outflow of Resources			
Pension	743,522	119,413	743,516
OPEB	353,095	24,032	304,338
<i>Total Deferred Outflows of Resources</i>	<u>1,096,617</u>	<u>143,445</u>	<u>1,047,854</u>
Liabilities			
Accounts Payable	56,815	66,162	122,977
Accrued Wages	67,318	11,235	78,553
Contracts Payable	46,303	273	46,576
Intergovernmental Payable	80,638	13,403	94,041
Matured Compensated Absences Payable	31,324	0	31,324
Accrued Interest Payable	1,839	17,735	19,574
Claims Payable	18,807	0	18,807
Long-Term Liabilities:			
Due Within One Year	159,390	199,828	359,218
Due In More Than One Year			
Net Pension Liability (See Note 15)	3,461,407	497,451	3,958,858
Net OPEB Liability (See Note 16)	2,956,578	324,866	3,281,444
Other Amounts	650,099	1,282,706	1,932,805
<i>Total Liabilities</i>	<u>7,530,518</u>	<u>2,413,659</u>	<u>9,944,177</u>
Deferred Inflows of Resources			
Property Taxes	608,109	0	608,109
Pension	673,311	274,659	828,551
OPEB	201,931	122,272	251,414
<i>Total Deferred Inflows of Resources</i>	<u>1,483,351</u>	<u>396,931</u>	<u>1,688,074</u>
Net Position			
Net Investment in Capital Assets	2,388,241	3,945,694	6,333,935
Restricted for:			
Capital Projects	186,284	0	186,284
Safety Forces	118,826	0	118,826
Streets	306,080	0	306,080
Parks	344,843	0	344,843
Other Purposes	1,023,971	0	1,023,971
Unrestricted (Deficit)	(5,202,819)	693,109	(4,509,710)
<i>Total Net Position</i>	<u>(\$834,574)</u>	<u>\$4,638,803</u>	<u>\$3,804,229</u>

* After Deferred Outflows and Inflows of Resources related to the change in internal proportionate share of pension-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,461,914	\$274,881	\$0	\$0
Security of Persons and Property:				
Police	1,996,881	308,201	81,572	0
Fire	610,672	68,008	11,824	0
Transportation	815,857	0	556,651	0
Community Environment	54,704	3,000	105,460	0
Leisure Time Activities	137,654	19,177	0	160
Interest and Fiscal Charges	19,562	0	0	0
<i>Total Governmental Activities</i>	<u>5,097,244</u>	<u>673,267</u>	<u>755,507</u>	<u>160</u>
Business-Type Activities:				
Water	1,734,670	2,172,105	0	0
Storm Water Management	57,635	155,411	0	0
<i>Total Business-Type Activities</i>	<u>1,792,305</u>	<u>2,327,516</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$6,889,549</u>	<u>\$3,000,783</u>	<u>\$755,507</u>	<u>\$160</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Street

 Police

 Fire

Municipal Income Taxes Levied for:

 General Purposes

 Park

Grants and Entitlements not Restricted
to Specific Programs

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 19)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$1,187,033)	\$0	(\$1,187,033)
(1,607,108)	0	(1,607,108)
(530,840)	0	(530,840)
(259,206)	0	(259,206)
53,756	0	53,756
(118,317)	0	(118,317)
(19,562)	0	(19,562)
(3,668,310)	0	(3,668,310)
0	437,435	437,435
0	97,776	97,776
0	535,211	535,211
(3,668,310)	535,211	(3,133,099)
259,671	0	259,671
127,706	0	127,706
112,100	0	112,100
41,146	0	41,146
1,814,039	0	1,814,039
201,560	0	201,560
271,106	0	271,106
27,904	0	27,904
275,462	17,160	292,622
3,130,694	17,160	3,147,854
(45,544)	45,544	0
3,085,150	62,704	3,147,854
(583,160)	597,915	14,755
(251,414)	4,040,888	3,789,474
(\$834,574)	\$4,638,803	\$3,804,229

City of Campbell, Ohio

Balance Sheet

Governmental Funds

December 31, 2018

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$145,258	\$15,988	\$1,468,305	\$1,629,551
Receivables:				
Property Taxes	438,483	215,648	258,777	912,908
Income Taxes	1,201,137	0	133,460	1,334,597
Accounts	41,808	0	9,979	51,787
Intergovernmental	146,472	170,913	86,948	404,333
Interfund Receivable	333,980	0	0	333,980
Materials and Supplies Inventory	0	12,768	0	12,768
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,995	0	0	23,995
Total Assets	\$2,331,133	\$415,317	\$1,957,469	\$4,703,919
Liabilities				
Accounts Payable	\$36,059	\$8,736	\$12,020	\$56,815
Contracts Payable	8,623	0	37,680	46,303
Accrued Wages	61,893	4,337	1,088	67,318
Intergovernmental Payable	74,699	5,106	833	80,638
Interfund Payable	0	0	123,284	123,284
Matured Compensated Absences Payable	31,324	0	0	31,324
Total Liabilities	212,598	18,179	174,905	405,682
Deferred Inflows of Resources				
Property Taxes	292,084	143,648	172,377	608,109
Unavailable Revenue	1,334,562	192,158	268,483	1,795,203
Total Deferred Inflows of Resources	1,626,646	335,806	440,860	2,403,312
Fund Balances				
Nonspendable	23,995	12,768	0	36,763
Restricted	0	48,564	1,437,858	1,486,422
Committed	0	0	22,481	22,481
Assigned	114,727	0	0	114,727
Unassigned (Deficit)	353,167	0	(118,635)	234,532
Total Fund Balances	491,889	61,332	1,341,704	1,894,925
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,331,133	\$415,317	\$1,957,469	\$4,703,919

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2018*

Total Governmental Fund Balances	\$1,894,925
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,495,039
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	304,799
Municipal Income Taxes	1,223,937
Intergovernmental	<u>266,467</u>
Total	1,795,203
The internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund is included as part of governmental activities in the statement of net position:	
Net Position	(14,564)
Internal Balances	<u>2,761</u>
Total	(11,803)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,839)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	743,522
Net Pension Liability	(3,461,407)
Deferred Inflows - Pension	(673,311)
Deferred Outflows - OPEB	353,095
Net OPEB Liability	(2,956,578)
Deferred Inflows - OPEB	<u>(201,931)</u>
Total	(6,196,610)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Police and Fire Pension Loan	(416,886)
Jail Services Liability	(10,847)
Capital Leases	(69,118)
Compensated Absences	<u>(312,638)</u>
Total	<u>(809,489)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$834,574)</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$289,003	\$142,133	\$170,559	\$601,695
Municipal Income Taxes	1,834,368	0	203,818	2,038,186
Charges for Services	52,217	0	3,000	55,217
Fines, Licenses and Permits	457,205	0	141,668	598,873
Intergovernmental	274,147	441,132	310,700	1,025,979
Interest	27,904	0	0	27,904
Rentals	0	0	19,177	19,177
Contributions and Donations	0	0	534	534
Other	253,672	2,250	19,540	275,462
<i>Total Revenues</i>	<u>3,188,516</u>	<u>585,515</u>	<u>868,996</u>	<u>4,643,027</u>
Expenditures				
Current:				
General Government	1,260,888	0	57,349	1,318,237
Security of Persons and Property:				
Police	1,540,703	0	223,528	1,764,231
Fire	467,635	0	53,609	521,244
Transportation	0	583,384	157,434	740,818
Community Environment	0	0	54,704	54,704
Leisure Time Activities	0	0	128,830	128,830
Capital Outlay	0	0	78,244	78,244
Debt Service:				
Principal Retirement	13,640	1,640	30,330	45,610
Interest and Fiscal Charges	144	144	19,421	19,709
<i>Total Expenditures</i>	<u>3,283,010</u>	<u>585,168</u>	<u>803,449</u>	<u>4,671,627</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(94,494)	347	65,547	(28,600)
Other Financing Sources (Uses)				
Transfers Out	0	0	(45,544)	(45,544)
<i>Net Change in Fund Balances</i>	(94,494)	347	20,003	(74,144)
<i>Fund Balances Beginning of Year</i>	<u>586,383</u>	<u>60,985</u>	<u>1,321,701</u>	<u>1,969,069</u>
<i>Fund Balances End of Year</i>	<u><u>\$491,889</u></u>	<u><u>\$61,332</u></u>	<u><u>\$1,341,704</u></u>	<u><u>\$1,894,925</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$74,144)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	113,000	
Current Year Depreciation	(186,383)	
Total		(73,383)

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

Delinquent Property Taxes	(61,072)	
Municipal Income Taxes	(22,587)	
Intergovernmental	260	
Total		(83,399)

The internal service fund used by management is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental funds:

Change in Net Position	(14,564)	
Internal Balance	2,761	
Total		(11,803)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	316,050	
OPEB	5,661	
Total		321,711

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

Pension	(451,542)	
OPEB	(251,317)	
Total		(702,859)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 45,610

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 147

Some expenses do not require the use of current financial resources such as compensated absences, therefore are not reported as expenditures in the governmental funds: (5,040)

Change in Net Position of Governmental Activities (\$583,160)

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$294,194	\$294,194	\$289,003	(\$5,191)
Municipal Income Taxes	1,843,456	1,843,456	1,810,927	(32,529)
Charges for Services	52,362	52,362	51,438	(924)
Fines, Licenses and Permits	447,321	447,321	439,428	(7,893)
Intergovernmental	279,296	279,296	274,368	(4,928)
Interest	28,405	28,405	27,904	(501)
Other	271,641	271,641	262,631	(9,010)
<i>Total Revenues</i>	<u>3,216,675</u>	<u>3,216,675</u>	<u>3,155,699</u>	<u>(60,976)</u>
Expenditures				
Current:				
General Government	1,405,058	1,405,058	1,276,281	128,777
Security of Persons and Property:				
Police	1,458,767	1,458,767	1,495,280	(36,513)
Fire	398,301	398,301	430,276	(31,975)
Debt Service:				
Principal Retirement	13,640	13,640	13,640	0
Interest and Fiscal Charges	144	144	144	0
<i>Total Expenditures</i>	<u>3,275,910</u>	<u>3,275,910</u>	<u>3,215,621</u>	<u>60,289</u>
<i>Net Change in Fund Balance</i>	(59,235)	(59,235)	(59,922)	(687)
<i>Fund Balance Beginning of Year</i>	84,503	84,503	84,503	0
Prior Year Encumbrances Appropriated	<u>118,469</u>	<u>118,469</u>	<u>118,469</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$143,737</u>	<u>\$143,737</u>	<u>\$143,050</u>	<u>(\$687)</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$149,930	\$149,930	\$142,133	(\$7,797)
Intergovernmental	462,915	462,915	438,841	(24,074)
Miscellaneous	2,373	2,373	2,250	(123)
<i>Total Revenues</i>	<u>615,218</u>	<u>615,218</u>	<u>583,224</u>	<u>(31,994)</u>
Expenditures				
Current:				
Transportation	637,630	637,630	596,580	41,050
Debt Service:				
Principal Retirement	1,640	1,640	1,640	0
Interest and Fiscal Charges	144	144	144	0
<i>Total Expenditures</i>	<u>639,414</u>	<u>639,414</u>	<u>598,364</u>	<u>41,050</u>
<i>Net Change in Fund Balance</i>	(24,196)	(24,196)	(15,140)	9,056
<i>Fund Balance Beginning of Year</i>	19,171	19,171	19,171	0
Prior Year Encumbrances Appropriated	5,025	5,025	5,025	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$9,056</u>	<u>\$9,056</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise			Internal Service
	Water	Storm Water Management	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,264,314	\$497,247	\$1,761,561	\$4,243
Accounts Receivable	341,510	34,416	375,926	0
Intergovernmental Receivable	5,292	0	5,292	0
<i>Total Current Assets</i>	<u>1,611,116</u>	<u>531,663</u>	<u>2,142,779</u>	<u>4,243</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	34,280	0	34,280	0
Depreciable Capital Assets, Net	5,216,718	125,628	5,342,346	0
<i>Total Noncurrent Assets</i>	<u>5,250,998</u>	<u>125,628</u>	<u>5,376,626</u>	<u>0</u>
<i>Total Assets</i>	<u>6,862,114</u>	<u>657,291</u>	<u>7,519,405</u>	<u>4,243</u>
Deferred Outflows of Resources				
Pension	116,041	3,372	119,413	0
OPEB	23,365	667	24,032	0
<i>Total Deferred Outflows of Resources</i>	<u>139,406</u>	<u>4,039</u>	<u>143,445</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	66,162	0	66,162	0
Accrued Wages	10,979	256	11,235	0
Contracts Payable	0	273	273	0
Intergovernmental Payable	13,046	357	13,403	0
Interfund Payable	210,696	0	210,696	0
Accrued Interest Payable	16,812	923	17,735	0
Capital Leases Payable	0	25,616	25,616	0
OPWC Loans Payable	45,545	0	45,545	0
OWDA Loans Payable	121,913	0	121,913	0
Compensated Absences Payable	6,754	0	6,754	0
Claims Payable	0	0	0	18,807
<i>Total Current Liabilities</i>	<u>491,907</u>	<u>27,425</u>	<u>519,332</u>	<u>18,807</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Capital Leases Payable	0	80,114	80,114	0
OPWC Loans Payable	96,145	0	96,145	0
OWDA Loans Payable	1,061,599	0	1,061,599	0
Net Pension Liability	483,632	13,819	497,451	0
Net OPEB Liability	315,842	9,024	324,866	0
Compensated Absences Payable	44,848	0	44,848	0
<i>Total Long-Term Liabilities</i>	<u>2,002,066</u>	<u>102,957</u>	<u>2,105,023</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,493,973</u>	<u>130,382</u>	<u>2,624,355</u>	<u>18,807</u>
Deferred Inflows of Resources				
Pension	261,423	13,236	274,659	0
OPEB	115,415	6,857	122,272	0
<i>Total Deferred Inflows of Resources</i>	<u>376,838</u>	<u>20,093</u>	<u>396,931</u>	<u>0</u>
Net Position				
Net Investment in Capital Assets	3,925,796	19,898	3,945,694	0
Unrestricted (Deficit)	204,913	490,957	695,870	(14,564)
<i>Total Net Position</i>	<u>\$4,130,709</u>	<u>\$510,855</u>	<u>\$4,641,564</u>	<u>(\$14,564)</u>

Net position reported for business-type activities in the statement of net assets are different because they include accumulated underpayments to the internal service funds:

(2,761)

Net position of business-type activities

\$4,638,803

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018*

	Enterprise			Internal Service
	Water	Storm Water Management	Total	
Operating Revenues				
Charges for Services	\$2,172,105	\$155,411	\$2,327,516	\$82,806
Other Operating Revenues	17,160	0	17,160	0
<i>Total Operating Revenues</i>	<u>2,189,265</u>	<u>155,411</u>	<u>2,344,676</u>	<u>82,806</u>
Operating Expenses				
Personal Services	731,221	9,697	740,918	0
Materials and Supplies	171,191	0	171,191	0
Contractual Services	611,728	27,470	639,198	39,117
Depreciation	164,182	17,947	182,129	0
Claims	0	0	0	58,253
Other	17,653	0	17,653	0
<i>Total Operating Expenses</i>	<u>1,695,975</u>	<u>55,114</u>	<u>1,751,089</u>	<u>97,370</u>
<i>Operating Income (Loss)</i>	493,290	100,297	593,587	(14,564)
Non-Operating Revenues (Expenses)				
Interest and Fiscal Charges	(35,934)	(2,521)	(38,455)	0
<i>Income (Loss) before Transfers</i>	457,356	97,776	555,132	(14,564)
Transfers In	45,544	0	45,544	0
<i>Change in Net Position</i>	502,900	97,776	600,676	(14,564)
<i>Net Position Beginning of Year - Restated (See Note 19)</i>	<u>3,627,809</u>	<u>413,079</u>		<u>0</u>
<i>Net Position End of Year</i>	<u>\$4,130,709</u>	<u>\$510,855</u>		<u>(\$14,564)</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net gain of the internal service fund increases revenues in the business-type activities.

(2,761)

Change in net assets of business-type activities

\$597,915

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise			Internal Service
	Water	Storm Water Management	Total	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,152,492	\$141,468	\$2,293,960	\$82,806
Other Cash Receipts	17,160	0	17,160	0
Cash Payments to Employees for Services	(744,450)	(13,334)	(757,784)	0
Cash Payments for Goods and Services	(769,147)	(27,470)	(796,617)	(39,117)
Cash Payments for Claims	0	0	0	(39,446)
Cash Payments for Interfund Services Provided	(15,700)	0	(15,700)	0
Other Cash Payments	(17,653)	0	(17,653)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>622,702</u>	<u>100,664</u>	<u>723,366</u>	<u>4,243</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Loans	151,696	0	151,696	0
Payments for Capital Acquisitions	(179,146)	0	(179,146)	0
Principal Paid on OWDA Loans	(115,514)	0	(115,514)	0
Interest Paid on OWDA Loans	(38,244)	0	(38,244)	0
Principal Paid on Capital Lease	0	(25,091)	(25,091)	0
Interest Paid on Capital Lease	0	(2,740)	(2,740)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(181,208)</u>	<u>(27,831)</u>	<u>(209,039)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	441,494	72,833	514,327	4,243
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>822,820</u>	<u>424,414</u>	<u>1,247,234</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,264,314</u>	<u>\$497,247</u>	<u>\$1,761,561</u>	<u>\$4,243</u>

(continued)

City of Campbell, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2018

	Enterprise			Internal Service
	Water	Storm Water Management	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$493,290	\$100,297	\$593,587	(\$14,564)
Adjustments:				
Depreciation	164,182	17,947	182,129	0
<i>(Increase) Decrease in Assets and Deferred Outflows:</i>				0
Accounts Receivable	(19,279)	(13,943)	(33,222)	
Intergovernmental Receivable	(334)	0	(334)	0
Deferred Outflows - Pension	119,587	4,381	123,968	0
Deferred Outflows - OPEB	16,944	558	17,502	0
<i>Increase (Decrease) in Liabilities and Deferred Inflows:</i>				
Accounts Payable	14,846	0	14,846	0
Contracts Payable	(1,651)	273	(1,378)	0
Accrued Wages	567	49	616	0
Compensated Absences Payable	(16,944)	0	(16,944)	0
Intergovernmental Payable	3,379	95	3,474	0
Claims Payable	0	0	0	18,807
Net Pension Liability	10,520	300	10,820	0
Net OPEB Liability	17,129	489	17,618	0
Deferred Inflows - Pension	(129,720)	(6,657)	(136,377)	0
Deferred Inflows - OPEB	(49,814)	(3,125)	(52,939)	0
<i>Total Adjustments</i>	<u>129,412</u>	<u>367</u>	<u>129,779</u>	<u>18,807</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$622,702</u>	<u>\$100,664</u>	<u>\$723,366</u>	<u>\$4,243</u>

Noncash Capital and Related Financing Activities

During 2018, the Infrastructure/Equipment capital projects fund paid \$45,544 in principal on Ohio Public Works Commission loans for the water enterprise fund.

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$485,871
Cash and Cash Equivalents in Segregated Accounts	<u>76,528</u>
<i>Total Assets</i>	<u><u>\$562,399</u></u>
Liabilities	
Due to Others	\$141,208
Due to Other Governments	<u>421,191</u>
<i>Total Liabilities</i>	<u><u>\$562,399</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Note 1 – Description of the City and Reporting Entity

The City of Campbell is a charter municipal corporation formed under the laws of the State of Ohio. The City operates under its own Charter made effective November 3, 1970. The Charter, as amended, provides for a Council-Mayor form of government.

The Mayor, elected by the voters for a two-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes and presides at Council meetings. He also appoints all department heads and executes all contracts, conveyances and evidences of indebtedness of the City.

Legislative authority is vested in a five member council with the President of Council being elected at large and four members elected to specific wards and serves a term of two years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money and accepts bids for materials and services and other municipal purposes.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Campbell, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, parks and recreation, street maintenance and municipal court. In addition, the City owns and operates a water treatment and distribution system which is reported as an enterprise fund. The operation of each of these activities is directly controlled by City Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Eastgate Regional Council of Governments, a jointly governed organization, discussed in Note 18 to the basic financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Campbell 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 principles. The more significant of the City's accounting policies are described below.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Street Construction, Maintenance and Repair Fund - The street construction, maintenance and repair fund accounts for and reports property taxes and State gasoline tax and motor vehicle registration fees that are restricted for maintenance of streets within the City.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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 following are the City's major enterprise funds:

Water Fund - The water fund accounts for revenues generated from the charges for distribution of water to the residential and commercial users located within the City. The costs of providing these services are financed primarily through user charges.

Storm Water Management Fund - The storm water management fund accounts for charges for serves for the construction and operation of drainage facilities.

Internal Service Fund Internal service funds account for the financing of services provided by one department of agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is a health fund that accounts for vision, dental, life, prescription drug and hospital/medical claims of the City employees.

Fiduciary Funds

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

The City's fiduciary funds are agency funds. Agency funds are used to account for the sewer amounts collected and paid to Mahoning County and amounts collected by the municipal court that are paid to other governments.

Measurement Focus

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

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

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

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 and the statement for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

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 year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations. The amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the government fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 15 and 16).

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The City had no investments during the year or at year end.

Various departments within the City have segregated bank accounts for monies held separate from the City's central bank account. These accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited with the Finance Director.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amount to \$27,904, of which \$26,523 is assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Inventory

Inventories are presented at cost on a first-in, first out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000 with the exception of land as land was included regardless of cost. 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 or not.

All capital assets are depreciated except for land and construction in progress. 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 and Business-Type Activities Estimated Lives
Land Improvements	15 - 50 years
Buildings	40 years
Machinery and Equipment	5 - 20 years
Vehicles	8 years
Infrastructure	30 - 100 years

The City reports infrastructure consisting of roads, traffic signals and waterlines. Traffic signals and waterlines include assets acquired prior to December 31, 2011. Roads do not include assets acquired prior to December 31, 2011.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balances amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees.

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 employee's wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

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 and compensated absences 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 year. Long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

City of Campbell, Ohio
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For The Year Ended December 31, 2018

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. (In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.) Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by policies of the Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2019's budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for recycling, court computerization and unclaimed monies.

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

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, storm water services and the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Estimates

The preparation of the 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.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, 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 appropriation 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 by department for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within the object level has been given to the Finance Director.

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

The appropriation 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.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Note 3 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$0	\$12,768	\$0	\$12,768
Unclaimed Monies	19,222	0	0	19,222
Stale Checks	4,773	0	0	4,773
<i>Total Nonspendable</i>	23,995	12,768	0	36,763
<i>Restricted for</i>				
Recreation	0	0	222,449	222,449
Safety Forces	0	0	16,096	16,096
Street Maintenance	0	48,564	39,142	87,706
Recycling	0	0	26,599	26,599
Enforcement and Education	0	0	731,236	731,236
Community Development	0	0	253,732	253,732
Capital Improvements	0	0	148,604	148,604
<i>Total Restricted</i>	0	48,564	1,437,858	1,486,422
<i>Committed to</i>				
Safety Forces	0	0	16,288	16,288
Capital Improvements	0	0	6,193	6,193
<i>Total Committed</i>	0	0	22,481	22,481
<i>Assigned to</i>				
2019 Operations	114,727	0	0	114,727
<i>Unassigned (Deficit)</i>	353,167	0	(118,635)	234,532
<i>Total Fund Balances</i>	\$491,889	\$61,332	\$1,341,704	\$1,894,925

Note 4 – Accountability and Compliance

Accountability

Fund balances at December 31, 2018, included the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Special Revenue Funds:</i>	
Clean Ohio	\$63,206
Industrial Light Grant	55,429

The special revenue funds' deficits are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Compliance

Contrary to Section 5705.41 (B), Ohio Revised Code, the following funds and departments had expenditures plus encumbrances in excess of appropriations:

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Police - Operations/Management	\$190,867	\$236,965	(\$46,098)
Fire - Wages	259,246	279,451	(20,205)
Fire - Operations/Management	31,650	37,042	(5,392)
Mayor - Operations/Management	9,642	10,477	(835)
City Council - Wages	35,703	41,598	(5,895)
City Council - Operations/Management	24,176	45,674	(21,498)
Other			
Safety Forces Levy - Benefits	158,673	175,572	(16,899)
Storm Water Management - Wages	8,811	10,994	(2,183)
Storm Water Management - Benefits	2,213	2,340	(127)
Community Development - Operations/Management	36	24,514	(24,478)
Infrastructure and Equipment - Operations/Management	81,509	86,108	(4,599)
County Sewer Collection - Operation/Management	1,292,495	1,369,975	(77,480)
BFI Trash Collection - Operation/Management	454,230	500,841	(46,611)

Note 5 - 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), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).

The following table summarized the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds:

City of Campbell, Ohio
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For The Year Ended December 31, 2018

Net Change in Fund Balances

	General	Street Construction, Maintenance and Repair
GAAP Basis	(\$94,494)	\$347
Net Adjustment for Revenue Accruals	(32,817)	(2,291)
Net Adjustment for Expenditures Accruals	119,795	672
Encumbrances	(26,203)	(6,936)
Budget Basis	(\$33,719)	(\$8,208)

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

Note 7 - Receivables

Receivables at December 31, 2018, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues and accounts (billings for utility service).

City of Campbell, Ohio
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For The Year Ended December 31, 2018

All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$12.70 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$56,873,700
Public Utility Personal Property	<u>3,904,010</u>
Total	<u><u>\$60,777,710</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Income Taxes

The City levies and collects an income tax of two and half percent on all income earned within the City as well as on income of residents outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2018, the proceeds were allocated ninety percent to the general fund and ten percent to the park special revenue fund.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Gasoline and Municipal Cents per Gallon	\$125,226
Homestead and Rollback	81,021
Local Government	75,046
Permissive Tax	44,868
Motor Vehicle License Tax	38,854
City of Youngstown	20,574
4th Quarter Sewer Administration Reimbursement	12,347
FBI Reimbursements	4,750
Bureau of Workers' Compensation	1,647
Total Governmental Activities	404,333
Business-Type Activities	
4th Quarter Sewer Administration Reimbursement	5,292
Total	\$409,625

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at a rate of ten hours per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid for 75 percent up to a maximum of 90 days of accumulated, unused sick leave.

Note 9 - Contingencies

Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2018.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$777,598	\$0	\$0	\$777,598
<i>Capital Assets being Depreciated:</i>				
Land Improvements	715,151	75,000	0	790,151
Buildings	1,980,743	0	0	1,980,743
Machinery and Equipment	607,312	0	0	607,312
Vehicles	1,724,914	38,000	0	1,762,914
Infrastructure	849,086	0	0	849,086
Total Capital Assets being Depreciated	5,877,206	113,000	0	5,990,206
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(415,765)	(15,053)	0	(430,818)
Buildings	(1,612,107)	(18,061)	0	(1,630,168)
Machinery and Equipment	(541,090)	(7,566)	0	(548,656)
Vehicles	(1,137,893)	(135,031)	0	(1,272,924)
Infrastructure	(379,527)	(10,672)	0	(390,199)
Total Accumulated Depreciation	(4,086,382)	(186,383) *	0	(4,272,765)
Total Capital Assets being Depreciated, Net	1,790,824	(73,383)	0	1,717,441
Governmental Activities Capital Assets, Net	\$2,568,422	(\$73,383)	\$0	\$2,495,039

*Depreciation expense was charged to governmental activities as follows:

General Government	\$42,154
Security of Persons and Property:	
Police	25,188
Fire	86,540
Transportation	29,882
Leisure Time Activities	2,619
Total Depreciation Expense	<u>\$186,383</u>

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$34,280	\$0	\$0	\$34,280
Construction in Progress	295,915	179,146	(475,061)	0
Total Capital Assets not being Depreciated	330,195	179,146	(475,061)	34,280
<i>Capital Assets being Depreciated:</i>				
Land Improvements	33,962	0	0	33,962
Buildings	3,923,395	0	0	3,923,395
Machinery and Equipment	1,809,275	0	0	1,809,275
Vehicles	208,570	0	0	208,570
Infrastructure	10,690,234	475,061	0	11,165,295
Total Capital Assets being Depreciated	16,665,436	475,061	0	17,140,497
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(33,703)	(259)	0	(33,962)
Buildings	(3,155,065)	(47,253)	0	(3,202,318)
Machinery and Equipment	(1,616,828)	(18,831)	0	(1,635,659)
Vehicles	(62,085)	(17,947)	0	(80,032)
Infrastructure	(6,748,341)	(97,839)	0	(6,846,180)
Total Accumulated Depreciation	(11,616,022)	(182,129)	0	(11,798,151)
Total Capital Assets being Depreciated, Net	5,049,414	292,932	0	5,342,346
Business Type Activities Capital Assets, Net	\$5,379,609	\$472,078	(\$475,061)	\$5,376,626

Note 11 - Risk Management

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

Property and Liability

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by YORK. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2018, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

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 PEP member.

Financial Position

PEP’s financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2018 and 2017:

<u>Casualty and Property Coverage</u>	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	14,676,199	13,004,011
Net Position - Unrestricted	\$35,245,799	\$31,448,315

At December 31, 2018 and 2017, the liabilities above include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately \$11.8 million and \$11.3 million of unpaid claims to be billed to approximately 538 member governments in the future, as of December 31, 2018 and 2017, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes subsequent year’s contributions due if the City terminates participation, as described in the last paragraph below.

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

This was the fourth year the City was a member of the PEP. The contribution for 2018 was \$86,867.

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

The City also has boiler and machinery insurance coverage in the amount of \$30,355,633 through PEP and crime policy insurance coverage in the amount of \$50,000 per employee theft through Cincinnati Insurance.

Insurance

The City has elected to provide employee hospital/medical, prescription, dental, vision and life insurance benefits through a self-insured program starting in October 2018. Prior to October 2018, the City participated in the Stark County Schools Council of Governments Health Benefits Program. The City established a self insurance internal service fund to account for and finance the cost of this program.

Medical Mutual of Ohio and Guardian serve as the third party administrators who review and processes medical, prescription, dental, vision and life claims which the City then pays after discounts are applied. An excess coverage insurance (stop loss) policy covers claims in excess of \$40,000 per employee and an aggregate of \$513,807 per year. The departments are charged an amount annually equal to the estimated costs for the year.

City of Campbell, Ohio
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For The Year Ended December 31, 2018

Incurred but not reported claims of \$18,807 have been accrued as a liability based on a review of January through February 2019 billings provided by the City Finance Department. The claims liability is based on the requirements of GASB Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds claim liability amount in 2018 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	\$0	\$58,253	\$39,446	\$18,807

Workers' Compensation

Workers' compensation is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 12 – Interfund Transfers and Balances

Interfund Transfers

Interfund transfers for the year ended December 31, 2018 consisted of a transfer of \$45,544 from the infrastructure/equipment capital projects fund to the water enterprise fund to pay for the current year OPWC loan payments.

Interfund Balances

Interfund balances at December 31, 2018, consist of the following:

	Interfund Receivable
Interfund Payable	General
Other Governmental Funds:	
Clean Ohio Fund	\$67,771
Industrial Light Grant Fund	55,513
Total Other Governmental Funds	123,284
Water Enterprise Fund	210,696
Grand Total	\$333,980

The majority of these advances were made to cover qualifying expenditures in the various funds which will be reimbursed when the grant monies are received by the City. The advance to the water fund was made to cover operational costs due to a shortage in revenue.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB to its various funds. This allocation creates a change in internal proportionate share. The effects of the change of internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity-wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Elimination made in the total column of the entity-wide statement of net position include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activities (\$186,869 related to the water enterprise fund and \$5,339 related to the storm water management enterprise fund) in the amount of \$192,208.

Note 13 - Long-Term Obligations

Original issue amounts and interest rates of the City’s debt issues are as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>OPWC Loans</i>			
Liberty Sewer Water Tank - 1999	0.00%	\$809,670	2021
Wilson Avenue and 13th Street Sanitary Separation - 2010	0.00	101,204	2031
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	5.16 - 5.54	2,421,405	2024
Water Interconnection - 2017	N/A	429,221	2039

A schedule of changes in long-term obligations of the City during 2018 follows:

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Amounts Due in One Year
Governmental Activities					
Net Pension Liability					
OPERS	\$1,021,129	\$0	(\$136,775)	\$884,354	\$0
OP&F	2,856,145	0	(279,092)	2,577,053	0
Total Net Pension Liability	<u>3,877,274</u>	<u>0</u>	<u>(415,867)</u>	<u>3,461,407</u>	<u>0</u>
Net OPEB Liability					
OPERS	429,587	147,953	0	577,540	0
OP&F	2,140,463	238,575	0	2,379,038	0
Total Net OPEB Liability	<u>2,570,050</u>	<u>386,528</u>	<u>0</u>	<u>2,956,578</u>	<u>0</u>
<i>Other</i>					
Police and Fire Pension	434,094	0	(17,208)	416,886	17,947
Jail Services Liability	22,847	0	(12,000)	10,847	10,847
Capital Leases	85,520	0	(16,402)	69,118	16,746
Compensated Absences	307,598	124,756	(119,716)	312,638	113,850
<i>Total Other</i>	<u>850,059</u>	<u>124,756</u>	<u>(165,326)</u>	<u>809,489</u>	<u>159,390</u>
<i>Total Governmental Activities</i>	<u>\$7,297,383</u>	<u>\$511,284</u>	<u>(\$581,193)</u>	<u>\$7,227,474</u>	<u>\$159,390</u>

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	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Amounts Due in One Year
Business-Type Activities					
<i>OPWC Loans</i>					
Liberty Sewer Water Tank	\$121,451	\$0	(\$40,484)	\$80,967	\$40,484
Wilson Avenue and 13th Street Sanitary Separation	65,783	0	(5,060)	60,723	5,061
<i>Total OPWC Loans</i>	<u>187,234</u>	<u>0</u>	<u>(45,544)</u>	<u>141,690</u>	<u>45,545</u>
<i>OWDA Loans</i>					
Water Treatment Plant	956,106	0	(115,514)	840,592	121,913
Water Interconnection	191,224	151,696	0	342,920	0
<i>Total OWDA Loans</i>	<u>1,147,330</u>	<u>151,696</u>	<u>(115,514)</u>	<u>1,183,512</u>	<u>121,913</u>
Net Pension Liability OPERS:					
Water	\$1,021,131	\$0	(\$537,499)	\$483,632	\$0
Sewer	41,682	0	(27,863)	13,819	0
Total Net Pension Liability OPERS	<u>1,062,813</u>	<u>0</u>	<u>(565,362)</u>	<u>497,451</u>	<u>0</u>
Net OPEB Liability OPERS:					
Water	429,587	0	(113,745)	315,842	0
Sewer	17,535	0	(8,511)	9,024	0
Total Net OPEB Liability OPERS	<u>447,122</u>	<u>0</u>	<u>(122,256)</u>	<u>324,866</u>	<u>0</u>
<i>Other</i>					
Capital Lease	130,821	0	(25,091)	105,730	25,616
Compensated Absences	68,546	12,547	(29,491)	51,602	6,754
<i>Total Other</i>	<u>199,367</u>	<u>12,547</u>	<u>(54,582)</u>	<u>157,332</u>	<u>32,370</u>
Total Business-Type Activities	<u><u>\$3,043,866</u></u>	<u><u>\$164,243</u></u>	<u><u>(\$903,258)</u></u>	<u><u>\$2,304,851</u></u>	<u><u>\$199,828</u></u>

The police and fire pension liability will be paid from the police and fire pension funds. The jail services liability is an amount owed to Mahoning County for holding prisoners. This liability will be paid from the general fund. The OWDA and OPWC loans will be paid with user charges from the water enterprise fund. Compensated absences will be paid from the following funds: the general fund, the street construction, maintenance and repair special revenue fund and the water enterprise fund. Capital leases will be paid from the street construction, maintenance and repair and state highway special revenue funds and the storm water management enterprise fund. There are no repayment schedules for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: the general fund, the street construction, maintenance and repair special revenue fund, the water enterprise fund and the storm water management enterprise fund. See Notes 15 and 16 for additional information related to the net pension/OPEB liabilities.

In 2017, the City was approved for a \$429,221 Ohio Water Development Authority loan for the water interconnection project. As of December 31, 2018, the City has drawn down proceeds of \$342,920. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City's overall legal debt margin was \$6,381,660 with an unvoted debt margin of \$3,342,774 at December 31, 2018. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018, are as follows:

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Governmental Activities:

	Police and Fire Pension Liability		Jail Services Liability
	Principal	Interest	Principal
2019	\$17,947	\$17,529	\$10,847
2020	18,718	16,758	0
2021	19,522	15,954	0
2022	20,360	15,116	0
2023	21,235	14,241	0
2024-2028	120,665	56,715	0
2029-2033	148,903	28,478	0
2034-2035	49,536	2,086	0
Total	\$416,886	\$166,877	\$10,847

Business-Type Activities:

	OWDA Loans		OPWC Loans
	Principal	Interest	Loans
2019	\$121,913	\$46,568	\$45,545
2020	128,668	39,814	45,543
2021	135,795	32,686	5,060
2022	143,318	25,164	5,060
2023	151,258	17,224	5,060
2024-2028	159,640	8,843	25,302
2029-2031	0	0	10,120
Total	\$840,592	\$170,299	\$141,690

Note 14 – Capital Leases

The City has entered into lease agreements for a tractor and street sweeper. The City's lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of December 31, 2018 can be found in the table below.

<i>Asset:</i>	Governmental Activities	Business-Type Activities
Vehicles	\$117,322	\$179,469
Less: Accumulated Depreciation	(35,199)	(53,841)
Book Value as of December 31, 2018	\$82,123	\$125,628

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

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Year Ending December 31,	Governmental Activities	Business-Type Activities
2019	\$18,193	\$27,831
2020	\$18,193	27,831
2021	\$18,193	27,831
2022	\$18,193	27,831
Total Minimum Lease Payments	72,772	111,324
Less: Amount Representing Interest	(3,654)	(5,594)
Present Value of Minimum Lease	<u>\$69,118</u>	<u>\$105,730</u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the respective funds. These expenditures are reflected as program expenditures on a budgetary basis.

Note 15 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

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

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

City of Campbell, Ohio
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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, The City's contractually required contribution was \$152,161 for the traditional plan and \$871 for the member-directed plan. Of these amounts, \$29,321 is reported as an intergovernmental payable for the traditional plan and \$166 for the member-directed plan.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$218,667 for 2018. Of this amount, \$40,280 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was \$416,886 payable in semi-annual payments through the year 2035.

City of Campbell, Ohio
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS		Total
	Traditional Plan	OP&F	
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00880800%	0.04198900%	
Prior Measurement Date	<u>0.00917700%</u>	<u>0.04509300%</u>	
Change in Proportionate Share	<u>-0.00036900%</u>	<u>-0.00310400%</u>	
Proportionate Share of the:			
Net Pension Liability	\$1,381,805	\$2,577,053	\$3,958,858
Pension Expense	285,703	219,028	504,731

2018 pension expense for the member-directed defined contribution plan was \$871.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS		Total
	Traditional Plan	OP&F	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,411	\$39,108	\$40,519
Changes of assumptions	165,135	112,296	277,431
Changes in proportion and differences between City contributions and proportionate share of contributions	9,171	45,567	54,738
City contributions subsequent to the measurement date	<u>152,161</u>	<u>218,667</u>	<u>370,828</u>
Total Deferred Outflows of Resources	<u>\$327,878</u>	<u>\$415,638</u>	<u>\$743,516</u>

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	OPERS		
	Traditional Plan	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$27,231	\$4,662	\$31,893
Net difference between projected and actual earnings on pension plan investments	296,655	89,146	385,801
Changes in proportion and differences between City contributions and proportionate share of contributions	38,641	372,216	410,857
Total Deferred Inflows of Resources	\$362,527	\$466,024	\$828,551

\$370,828 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
	Traditional Plan	OP&F	Total
Year Ending December 31:			
2019	\$112,464	(\$3,727)	\$108,737
2020	(46,743)	(27,165)	(73,908)
2021	(130,631)	(119,499)	(250,130)
2022	(121,900)	(113,578)	(235,478)
2023	0	(5,150)	(5,150)
Thereafter	0	66	66
Total	(\$186,810)	(\$269,053)	(\$455,863)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

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	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$2,453,733	\$1,381,805	\$488,139

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City’s net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has

City of Campbell, Ohio
Notes to the Basic Financial Statements
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been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
 Total	 <u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

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

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$3,572,473	\$2,577,053	\$1,765,199

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Note 16 - Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$348 for 2018. Of this amount, \$67 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$5,438 for 2018. Of this amount, \$1,010 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0083100%	0.0419890%	
Prior Measurement Date	<u>0.0086800%</u>	<u>0.0450930%</u>	
Change in Proportionate Share	<u>-0.0003700%</u>	<u>-0.0031040%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$902,406	\$2,379,038	\$3,281,444
OPEB Expense	\$63,945	\$169,678	\$233,623

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$703	\$0	\$703
Changes of assumptions	65,705	232,144	297,849
City contributions subsequent to the measurement date	<u>348</u>	<u>5,438</u>	<u>5,786</u>
Total Deferred Outflows of Resources	<u>\$66,756</u>	<u>\$237,582</u>	<u>\$304,338</u>

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$11,999	\$11,999
Net difference between projected and actual earnings on OPEB plan investments	67,223	15,660	82,883
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>25,283</u>	<u>131,249</u>	<u>156,532</u>
Total Deferred Inflows of Resources	<u>\$92,506</u>	<u>\$158,908</u>	<u>\$251,414</u>

\$5,786 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$2,856	\$9,081	\$11,937
2020	2,856	9,081	11,937
2021	(15,005)	9,081	(5,924)
2022	(16,805)	9,081	(7,724)
2023	0	12,996	12,996
Thereafter	<u>0</u>	<u>23,916</u>	<u>23,916</u>
Total	<u>(\$26,098)</u>	<u>\$73,236</u>	<u>\$47,138</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$1,198,884	\$902,406	\$662,556

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$863,409	\$902,406	\$942,686

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

City of Campbell, Ohio
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Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was

City of Campbell, Ohio
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determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$2,973,826	\$2,379,038	\$1,921,370

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$1,848,079	\$2,379,038	\$3,094,590

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

Note 17 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At the year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds		Proprietary Funds	
General Fund	\$26,203	Water	\$28,856
Street Construction, Maintenance and Repair	6,932		
Other Governmental Funds	46,257		
Total Governmental Funds	\$79,392		

The Finance Director made adjustments at year-end that gave most of the funds a zero balance for encumbrances as of December 31, 2018.

Note 18 – Jointly Governed Organizations

Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has thirty-six participating members. These include representatives from Ashtabula County, Mahoning County and Trumbull County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Funding comes from each of the participants. For 2018, the City contributed \$3,047 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Note 19 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2018

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	\$2,308,344	\$4,481,813
Adjustments:		
Net OPEB Liability	(2,570,050)	(447,122)
Deferred Outflow - Payments Subsequent to Measurement Date	10,292	6,197
Restated Net Position December 31, 2017	(\$251,414)	\$4,040,888

	Water	Storm Water Management	Total Enterprise
Net Position December 31, 2017	\$4,051,442	\$430,371	\$4,481,813
Adjustments:			
Net OPEB Liability	(429,587)	(17,535)	(447,122)
Deferred Outflow - Payments Subsequent to Measurement Date	5,954	243	6,197
Restated Net Position December 31, 2017	\$3,627,809	\$413,079	\$4,040,888

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

Required Supplementary Information

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.00880800%	0.00917700%	0.00897300%	0.00894800%	0.00894800%
City's Proportionate Share of the Net Pension Liability	\$1,381,805	\$2,083,942	\$1,554,235	\$1,079,229	\$1,054,853
City's Covered Payroll	\$1,164,038	\$1,186,417	\$1,116,807	\$1,096,975	\$1,015,953
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.65%	139.17%	98.38%	103.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0083100%	0.0086800%
City's Proportionate Share of the Net OPEB Liability	\$902,406	\$876,709
City's Covered Payroll	\$1,176,788	\$1,200,417
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.68%	73.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.04198900%	0.04509300%	0.05122800%	0.04944420%	0.04944420%
City's Proportionate Share of the Net Pension Liability	\$2,577,053	\$2,856,145	\$3,295,533	\$2,561,416	\$2,408,088
City's Covered Payroll	\$867,749	\$1,038,992	\$1,103,029	\$1,039,018	\$939,933
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	296.98%	274.90%	298.77%	246.52%	256.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0419890%	0.0450930%
City's Proportionate Share of the Net OPEB Liability	\$2,379,038	\$2,140,463
City's Covered Payroll	\$867,749	\$1,038,992
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	274.16%	206.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$152,161	\$151,325	\$142,370
Contributions in Relation to the Contractually Required Contribution	<u>(152,161)</u>	<u>(151,325)</u>	<u>(142,370)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,086,864	\$1,164,038	\$1,186,417
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	\$348	\$12,150	\$24,288
Contributions in Relation to the Contractually Required Contribution	<u>(348)</u>	<u>(12,150)</u>	<u>(24,288)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$1,095,564	\$1,176,788	\$1,200,417
OPEB Contributions as a Percentage of Covered Payroll	<u>0.03%</u>	<u>1.03%</u>	<u>2.02%</u>

- (1) Information prior to 2013 is not available for the traditional plan.
(2) Information prior to 2016 is not available for the OPEB plan.
(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$134,017	\$131,637	\$132,074
<u>(134,017)</u>	<u>(131,637)</u>	<u>(132,074)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,116,807	\$1,096,975	\$1,015,953
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

City of Campbell, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$218,667	\$174,428	\$207,576	\$219,051
Contributions in Relation to the Contractually Required Contribution	<u>(218,667)</u>	<u>(174,428)</u>	<u>(207,576)</u>	<u>(219,051)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,087,581	\$867,749	\$1,038,992	\$1,103,029
Pension Contributions as a Percentage of Covered Payroll	<u>20.11%</u>	<u>20.10%</u>	<u>19.98%</u>	<u>19.86%</u>
Net OPEB Liability				
Contractually Required Contribution	\$5,438	\$4,339	\$5,195	\$5,515
Contributions in Relation to the Contractually Required Contribution	<u>(5,438)</u>	<u>(4,339)</u>	<u>(5,195)</u>	<u>(5,515)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.61%</u>	<u>20.60%</u>	<u>20.48%</u>	<u>20.36%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$206,921	\$159,354	\$131,431	\$110,843	\$124,117	\$107,680
<u>(206,921)</u>	<u>(159,354)</u>	<u>(131,431)</u>	<u>(110,843)</u>	<u>(124,117)</u>	<u>(107,680)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,039,018	\$939,933	\$937,643	\$808,700	\$881,338	\$766,045
<u>19.92%</u>	<u>16.95%</u>	<u>14.02%</u>	<u>13.71%</u>	<u>14.08%</u>	<u>14.06%</u>
\$5,195	\$33,994	\$63,291	\$54,588	\$59,491	\$51,708
<u>(5,195)</u>	<u>(33,994)</u>	<u>(63,291)</u>	<u>(54,588)</u>	<u>(59,491)</u>	<u>(51,708)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>20.42%</u>	<u>20.57%</u>	<u>20.77%</u>	<u>20.46%</u>	<u>20.83%</u>	<u>20.81%</u>

City of Campbell
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

City of Campbell
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Campbell
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

**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 Members of City Council
City of Campbell
Campbell, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a material weakness as item **2018-002**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2018-001**.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 28, 2019

**CITY OF CAMPBELL
MAHONING COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

Finding No. 2018-001 - Material Non-Compliance - Expenditures Exceeding Appropriations

Statement of Condition/Criteria

Ohio Revised Code Section 5705.41(B) prohibits a City from expending money unless it has been appropriated.

Cause/Effect

During our review of budgetary procedures, we noted that the following funds had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41(B).

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund			
Police - Operations/Management	\$ 190,867	\$ 236,965	\$ (46,098)
Fire - Wages	259,246	279,451	(20,205)
Fire - Operations/Management	31,650	37,042	(5,392)
City Council- Wages	35,703	41,598	(5,895)
City Council- Operations/Management	24,176	45,674	(21,498)
Other			
Safety Forces Levy - Benefits	158,673	175,572	(16,899)
Storm Water Management- Wages	8,811	10,994	(2,183)
Community Development- Operations/Management	36	24,514	(24,478)
Infrastructure & Equipment- Operations/Management	81,509	86,108	(4,599)
County Sewer Collection- Operations/Management	1,292,495	1,369,975	(77,480)
BFI Trash Collection- Operations/Management	454,230	500,841	(46,611)

Recommendation

We recommend that the City exercise due care to ensure expenditures plus encumbrances do not exceed appropriations plus prior year encumbrances. This will assist the City in avoiding negative fund balances and also ensure the City is in compliance with Ohio Revised Code Section 5705.41(B).

City's Response

The City will implement the recommendation.

**CITY OF CAMPBELL
MAHONING COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018
(CONTINUED)**

Finding No. 2018-002 - Material Weakness - Posting Activity to the System

Statement of Condition/Criteria

During our review of receipts and disbursements, we identified the following control deficiencies which could result in material misstatements:

1. Receipts and disbursements are posted to the system one to two months after the transaction occurs.
2. 2019 encumbrances were included in the year end outstanding encumbrance amount for 2018.
3. There are inconsistencies between the date of the receipt versus the date posted in the financial system.
4. The City did not close out their system for fiscal year 2018 until March of 2019.
5. The City has implemented new financial software with limited training.

Cause/Effect

Lack of controls over entering/recording transactions in the system and year-end closing procedures on a timely basis can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the City record transactions in its system and perform year-end closing procedures on a timely basis, and implement controls to ensure the transactions are recorded accurately and timely. We also recommend that the City receive training on its financial system to help improve accuracy and efficiency.

City's Response

The City will implement the recommendations.

**CITY OF CAMPBELL
 MAHONING COUNTY, OHIO
 SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

The prior issued audit report, as of December 31, 2017, included material non-compliance, a material weakness, and a significant deficiency.

Finding Number	Finding Summary	Status	Additional Information
2017-001	Expenditures Exceeding Appropriations	Not corrected.	Repeated as Finding 2018-001
2017-002	Posting Receipts and Disbursements to the System.	Not corrected.	Repeated as Finding 2018-002
2017-003	Police Overpayment	Corrected	

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF CAMPBELL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 8, 2019**