



Mary Taylor, CPA
Auditor of State

**CITY OF CAMPBELL
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Campbell
Mahoning County
351 Tenney Avenue
Campbell, Ohio 44405

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position 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, as of December 31, 2004, and the respective changes in cash financial position and the budgetary comparison for the General fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the City revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

As described in Note 1 to the financial statements, the City is experiencing financial difficulties and has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. Management's plans in regard to this matter are also discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 9, 2009

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The management's discussion and analysis for the City of Campbell's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2004, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

Financial Highlights

The City faced numerous challenges during 2004. Many of the challenges were brought to light by the new Director of Finance during the first three months of his tenure. Various steps were taken to at least alleviate some of the challenges, prevent them from worsening, or prevent them recurring. Among the first steps, was the opening of separate bank accounts to collect and hold money held by the City in a fiduciary capacity or set aside the cash necessary to make debt payments as they became due.

- A new Director of Finance officially took office effective January 1, 2004. The incoming Director of Finance determined that the City did not have enough cash to pay bills due for accounts payable, meet payroll, pay amounts owed to the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Funds (OP&FPF), cash amounts collected on behalf of and owed to the County Sanitary Engineer, cash that should have been set aside for debt payments to the Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) to make debt payments that were due January 1, 2004.
- The City's books had not been reconciled to the bank since the independent auditors reconciled the books during the biennial audit for 2000 and 2001. The City began the year with fund balances that had not been reconciled for two years. The situation was corrected with the outside assistance, helping the City get caught up through December 31, 2004.
- Prior to December 2003, the City did not always encumber funds prior to the receipt of invoices. Prior to closing out 2003 during January of 2004, the incoming Director of Finance attempted to encumber all invoices received and not encumbered for goods and services obtained, received, or ordered in 2003.
- With regards to union contracts, the City was involved in negotiations with all three unions during 2004 whose contracts expired at December 31, 2003 and was able to negotiate three-year wage freezes with two unions and a one year freeze with a wage reopener clause in 2005 with the third.
- The water operation reflected a cash basis surplus for the year. However, the majority of the cash basis surplus was due to an increase in unpaid bills resulting from the City saving cash in order to make payment on certain obligations in order not to renege on negotiated payment plans.
- Additional causes of the surplus included: various administrative costs were not allocated to the fund from the General Fund; the Water Fund did not reimburse the Street Fund for work performed by the Street Department for water line breaks and the repair of damage incurred in the process of repairing the breaks.
- Staffing Reductions: The City reduced staffing levels in the General Fund by nine positions (Mayor's Office by one, Police Department by three, Fire Department by three, and Administration two). The City did not replace the Director of Administration after a retirement at the end of 2003, laid off the custodian at the end of April, did not replace three of four police officers who resigned, took disability retirement, or have been on worker's compensation. Additionally, one firefighter retired during April 2004, one was laid off at the end of April 2004 and one took a one-year leave of absence beginning in October 2004.

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The City Street Fund had been operating at a deficit causing the street department to be reduced by two employees during 2004. Staffing was reduced with the layoff of the water meter reader, whose duties were absorbed by the water distribution utility/laborers, and the retirement of an account clerk at the end of July. Severance payments for the retired account clerk continued on a bi-weekly basis into 2005.

- **Operating Levy:** Additional revenue is needed for the City to survive at its current level of operations. A five-year, five mill general operating levy was defeated in November 2004. A property tax levy is on the ballot to provide an estimated additional \$330,000 annually, net of County Auditor and Treasurer's fees.
- **Major Grants:** The major grants received by the City are CDBG, CHIP and Small Cities Formula Allocation Grants.
- The City was able to negotiate a refinancing of payments due the Ohio Public Works Commission the City was unable to make due to prior deficit spending. The Commission waived payment for two years, thereby extending the repayment period two years.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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Reporting the City of Campbell as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the City did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the City at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in the cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors as well, such as the City's property tax base, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the City into two major types of activities:

- *Governmental Activities* - Most of the City's programs and services are reported here, including general government, security of persons and property, leisure time activities, community environment and transportation. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.
- *Business-Type Activities* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City has two enterprise funds, the water and sewer funds.

Reporting on the Most Significant Funds of the City of Campbell

Fund Financial Statements

The analysis of the City's major funds begins on page 16. The fund financial reports give a detailed report of the activities within the funds. The City currently has forty-two funds. These funds are in existence to provide a multitude of services to the citizens of Campbell. Each fund is in some ways an entity unto itself. Each fund has a designed revenue stream and restricted uses for the monies within the fund.

Governmental Funds All of the City's major activities (excluding the water and sewer funds) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the cash method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources is available or will be available to provide the services that the general

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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government provides in the near future. These services include police and fire protection, as well as improving and maintaining the City's streets, parks, and city hall. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the government funds is reconciled in the financial statements.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City's programs.

The City of Campbell as a Whole

Table 1 provides a summary of the City's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Equity in Pooled Cash and Cash Equivalents	\$108,800	(\$232,156)	\$239,302	(\$66,241)	\$348,102	(\$298,397)
Net Assets						
Restricted for:						
Capital Projects	38,417	17,503	0	0	38,417	17,503
Other Purposes	431,474	256,113	0	0	431,474	256,113
Unrestricted	(361,091)	(505,772)	239,302	(66,241)	(121,789)	(572,013)
Total Net Assets	\$108,800	(\$232,156)	\$239,302	(\$66,241)	\$348,102	(\$298,397)

Net Assets of governmental activities increased \$340,956, or 146.87 percent during 2004. The primary reasons contributing to the increases in cash balances are an increase in estate taxes received, an increase in the amounts of unpaid accounts payable, reductions in staffing and reductions in hospitalization and other employee benefit costs as a result of staff reductions and retirements.

Table 2 reflects the changes in net assets in 2004. Since the City did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

City of Campbell, Ohio
Management's Discussion and Analysis
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(Table 2)
Changes in Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Program Revenues			
Charges for Services	\$438,689	\$1,425,782	\$1,864,471
Operating Grants and Contributions	613,579	0	613,579
Capital Grants and Contributions	16,815	0	16,815
<i>Total Program Revenues</i>	<u>1,069,083</u>	<u>1,425,782</u>	<u>2,494,865</u>
General Revenues			
Property Taxes	369,445	0	369,445
Income Taxes	1,629,876	0	1,629,876
Grants and Entitlements	496,131	0	496,131
Proceeds of OWDA Loan	0	170,209	170,209
Miscellaneous	59,275	18,053	77,328
<i>Total General Revenues</i>	<u>2,554,727</u>	<u>188,262</u>	<u>2,742,989</u>
<i>Total Revenues</i>	<u>3,623,810</u>	<u>1,614,044</u>	<u>5,237,854</u>
Program Expenses			
General Government	897,564	0	897,564
Security of Persons and Property:			
Police	941,998	0	941,998
Fire	620,839	0	620,839
Leisure Time Activities	73,029	0	73,029
Community Environment	186,751	0	186,751
Basic Utility Services	1,791	0	1,791
Transportation	345,116	0	345,116
Capital Outlay	4,203	0	4,203
Principal Retirement	167,249	0	167,249
Interest and Fiscal Charges	44,314	0	44,314
Water	0	1,307,957	1,307,957
Sewer	0	544	544
<i>Total Program Expenses</i>	<u>3,282,854</u>	<u>1,308,501</u>	<u>4,591,355</u>
<i>Change in Net Assets</i>	340,956	305,543	646,499
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(232,156)</u>	<u>(66,241)</u>	<u>(298,397)</u>
<i>Net Assets End of Year</i>	<u>\$108,800</u>	<u>\$239,302</u>	<u>\$348,102</u>

Program revenues represent only 47.63 percent 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.

General receipts represent 52.37 percent of the total receipts, and of this amount, over 72.89 percent are taxes. Grants and entitlements not restricted for any purpose make up 18.09 percent of general receipts. Miscellaneous receipts and proceeds of OWDA Loan are insignificant and are somewhat unpredictable revenue sources.

City of Campbell, Ohio
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Disbursements 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; public health services are provided under a contract with the Mahoning County District Board of Health; leisure time activities are the costs of maintaining the parks and playing fields; community environment represents expenditures 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. Transportation is the cost of maintaining the roads.

A separate five-year, three mill 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.

Debt service on the debt issued to acquire assets in the governmental-type activities is paid from income tax, real estate and personal property tax, gas tax, interest income, fees, licenses, permits and other various revenue sources.

Outstanding debt due to governmental-type activities was the result of payments on a street paving loan, lease-purchase of a fire truck, payments on the lease-purchase of a telephone system and payments on the prior accrued liability for police and fire pension funds.

In the business-type activities, user fees from a specific monthly charge per account are the primary revenue source for the repayment of debt. An increase in debt from the business-type activities was the result of refinancing payments the City was unable to make during 2004.

The increase in governmental liabilities was due to an inability to substantially reduce salary costs to offset prior year's deficits. Additionally, the increase in governmental liabilities was due to unpaid accounts payable in an amount in excess of \$1,000,000.

Governmental Activities

If you look at the Statement of Activities on pages 14 and 15, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which includes the municipal court, security of persons and property, community environment, and transportation. General government expenditures account for 27.34 percent of all governmental disbursements. Security of persons and property, community environment and transportation account for 47.61 percent, 5.69 percent, and 10.51 percent, respectively, of governmental expenditures. The next three columns of the Statement of Activities entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the government that must be used to provide a specific service. The Disbursements Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which is predominately money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost of services is presented in Table 3.

City of Campbell, Ohio
Management's Discussion and Analysis
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(Table 3)

	Governmental		Business-Type	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2004	2004	2004	2004
General Government	\$897,564	\$718,184	\$0	\$0
Security of Persons and Property:				
Police	941,998	768,712	0	0
Fire	620,839	545,468	0	0
Leisure Time Activities	73,029	56,171	0	0
Community Environment	186,751	(29,982)	0	0
Basic Utility Services	1,791	1,791	0	0
Transportation	345,116	(62,339)	0	0
Capital Outlay	4,203	4,203	0	0
Principal Retirement	167,249	167,249	0	0
Interest and Fiscal Charges	44,314	44,314	0	0
Water	0	0	1,307,957	117,181
Sewer	0	0	544	100
Total Expenses	\$3,282,854	\$2,213,771	\$1,308,501	\$117,281

Governmental Activities

The dependence upon property and income tax receipts is apparent as \$2,213,771, or 67.43 percent of governmental activities are supported through these receipts.

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.50 percent and generated \$1,629,876 in revenue for 2004, accounting for approximately 44.98 percent of governmental activities revenue. The revenue collected from the income tax was receipted into the following funds: 90 percent went to the general fund and 10 percent to the Park operating fund. Unrestricted State shared revenues (local government funds) received through the County for 2004 were \$496,131 and represent about 13.69 percent of governmental activities revenue.

Income tax collections for 2004 were 2.33 percent less than 2003. This decrease was due, in part, to a continued erosion of the tax base due to additional loss of jobs, a decline in the number of taxpayers, an aging population, retirement of residents with high paying jobs working in other communities and relocation of younger citizens to other area communities and outside of the local area due to lack of jobs.

The decrease would have been worse had it not been for added efforts to collect delinquent income taxes. The City is becoming much more aggressive in the pursuit of delinquent income tax payers. A private collection agency is now being utilized to collect delinquent funds due the City and revenue from these collections is averaging over \$3,000 per month.

Other factors affecting revenues and expenditures in the governmental activities include, but are not limited to the following:

- A decrease in local real estate taxes from inside millage in excess of \$32,000, or in excess of 18 percent from 2003 to 2004.

City of Campbell, Ohio
Management's Discussion and Analysis
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- A decrease in Local Government Funding received directly from the State from 2003 to 2004 of \$12,800 or 42.78 percent.
- Increases in the amount paid to worker's compensation due to a lower premium reduction allowed by the Ohio Bureau of Worker's Compensation and a higher base premium due to a worsening experience rating resulting from an increase in the number of claims and amounts.

Additional revenue is needed for the City to survive at its current level of operations. A property tax levy is on the ballot to provide an additional estimated \$330,000 annually, net of County Auditor and Treasurer's fees. This levy was defeated by the citizens in February, 2005.

The City's Street Department (transportation) accounted for 10.51 percent of the expenses in the governmental activities or about \$345,116. The City street fund had been operating at a deficit causing the street department to be reduced by two employees during 2004.

Business-Type Activities

The water operation of the Government is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the City has begun discussing the need for major repairs and how to fund those repairs. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

The City operates two business-type activities: the water and sewer treatment facility. The water plant generated revenues of \$1,613,400, while expenses were \$1,307,957, which did not include in excess of \$116,000 in unpaid accounts payable and other non-debt liabilities. In 2004, the water plant provided water to a monthly average of 3,551 customers. An average of approximately forty-five million gallons of water is processed each month.

During 2004, staffing was reduced with the layoff of the water meter reader, whose duties were absorbed by the water distribution utility/laborers and the retirement of an account clerk at the end of July. Severance payments for the retired account clerk continued on a bi-weekly basis into 2005.

The City's Funds

Information about the City's governmental funds begins on page 16. All governmental funds had revenues of \$3,623,810 and expenditures of \$3,282,854. The funds are monitored monthly with adjustments made periodically during the year in budgets to accommodate yearly revenues.

The general fund had receipts of \$2,499,422, cash disbursements of \$2,308,648 and a reserve for encumbrances of \$546,630, indicating that the general fund is in a deficit spending situation. The increased deficit, despite cuts in staffing, was as a result of increased costs for salaries and benefits and lack of growth in income and property tax receipts. The continued increase in the general fund deficit was further attributable to minimum manning clauses and other restrictions upon management to reduce expenditures contained in various labor agreements.

Information about the proprietary funds starts on page 19. All business type funds had operating revenues of \$1,443,835, which exceeded operating expenses of \$1,138,292 by \$305,543, or 26.84 percent of operating expenses. The excess in revenues over expenditures was due in large part to an increase in unpaid bills.

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The City continually reviews revenues and expenditures of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgeting Highlights

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

During 2004, the City amended its general fund budget to reflect changing circumstances. Final budgeted receipts were \$2,445,183. The City did not have an original amended certificate issued from the County. Actual receipts were \$2,499,422, or \$54,239 higher than anticipated, primarily due to higher than anticipated intergovernmental revenue from property taxes, an extra month of franchise fees not collected in the prior year, higher than anticipated revenue from court fines and costs, and unanticipated amounts for building and electrical permits.

Capital Assets and Debt Administration

Capital Assets

The City does not currently keep track of its capital assets and infrastructure. The City does not have the assets to upgrade the accounting software and computer equipment to accomplish this task. It is not known when the City will have the means to upgrade its computer hardware and software to accomplish the task. Also, reductions in staff may additionally delay implementation.

Long-term Obligations

The City had \$3,803,764 in outstanding obligations, which is \$51,339 less than last year. These obligations are comprised of a long-term loan, OWDA and OPWC loans, capital leases, and police and fire accrued pension liability.

(Table 4)
Outstanding Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Long-term Loan	\$113,134	\$166,095	\$0	\$0	\$113,134	\$166,095
General Obligation Note	0	70,000	0	0	0	70,000
OWDA Loans	0	0	2,176,967	2,061,057	2,176,967	2,061,057
OPWC Loans	0	0	812,771	812,771	812,771	812,771
Capital Leases	98,069	132,807	0	0	98,069	132,807
Police and Fire Pension	602,823	612,373	0	0	602,823	612,373
Total	\$814,026	\$981,275	\$2,989,738	\$2,873,828	\$3,803,764	\$3,855,103

Governmental activities have 21.40 percent of the obligations. The debt was issued for street paving projects throughout the City. For the business-type funds, most of the debt was issued for water system improvements and a water storage tank replacement.

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Police and Fire Pension Accrued Liability payments of \$36,363 in annual principal and interest payments are funded by two separate allocations of .3 mill inside millage, which generates approximately \$42,000 annually.

Current Financial Issues

The City is continuing to pursue economic development. Construction of a new bridge across railroad tracks and the Mahoning River to provide access to land located in former steel mill property is scheduled to be completed in the fall of 2005.

The City is encouraging development of the land located in former steel mill property once the property has been environmentally cleared. A grant has been 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. We rely heavily on local taxes and have 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.

The City was involved in negotiations with all three unions during 2004 whose contracts expired at December 31, 2003, and was able to negotiate three-year wage freezes with two unions and a one year freeze with a wage reopener clause in 2005 with the third.

There were increases in Worker's Compensation rates due to prior experience and abuse, with the general fund experiencing the greatest financial impact. In 2003, the City paid a total of \$53,909 on a base rate of 4.5827 percent of payroll offset by a 50 percent rate reduction. In 2004, the City paid a total of \$87,594 on a base rate of 4.77 percent with an 80 percent rate reduction. In 2005 the City will pay \$127,742 on a base rate of 7.47 percent with an 80 percent rate reduction. The City's rate for 2006, payable on 2005 salaries has been given as 9.65 percent that does not include the new administrative rate factors, which are scheduled to increase.

Additionally, the employer PERS rate is scheduled to increase from 13.55 percent to 13.70 percent, while the employee rates are scheduled to increase from 8.50 percent to 9.0 percent.

Contacting the City's Finance Department

This report is designed to provide the reader with a broad overview of the City's financial position, as well as a general understanding of the financial operations of the City. If you have any questions about this report or need any additional financial information, please contact John Leskovyansky Jr., Director of Finance, 351 Tenney Avenue, Campbell, Ohio 44405, telephone 330-755-9863.

City of Campbell, Ohio
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$108,800</u>	<u>\$239,302</u>	<u>\$348,102</u>
Net Assets			
Restricted for:			
Capital Projects	38,417	0	38,417
Other Purposes	431,474	0	431,474
Unrestricted (Deficit)	<u>(361,091)</u>	<u>239,302</u>	<u>(121,789)</u>
<i>Total Net Assets</i>	<u><u>\$108,800</u></u>	<u><u>\$239,302</u></u>	<u><u>\$348,102</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$897,564	\$179,380	\$0	\$0
Security of Persons and Property:				
Police	941,998	169,713	3,573	0
Fire	620,839	75,371	0	0
Leisure Time Activities	73,029	14,000	2,858	0
Community Environment	186,751	225	216,508	0
Basic Utility Services	1,791	0	0	0
Transportation	345,116	0	390,640	16,815
Capital Outlay	4,203	0	0	0
Principal Retirement	167,249	0	0	0
Interest and Fiscal Charges	44,314	0	0	0
<i>Total Governmental Activities</i>	<u>3,282,854</u>	<u>438,689</u>	<u>613,579</u>	<u>16,815</u>
Business-Type Activities				
Water	1,307,957	1,425,138	0	0
Sewer	544	644	0	0
<i>Total Business-Type Activities</i>	<u>1,308,501</u>	<u>1,425,782</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$4,591,355</u>	<u>\$1,864,471</u>	<u>\$613,579</u>	<u>\$16,815</u>

General Receipts

Property Taxes Levied for:

 General Purposes

 Safety Forces

Income Taxes Levied for:

 General Purposes

 Parks

Grants and Entitlements not Restricted to Specific Programs

Proceeds of OWDA Loan

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets (Deficit) Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$718,184)	\$0	(\$718,184)
(768,712)	0	(768,712)
(545,468)	0	(545,468)
(56,171)	0	(56,171)
29,982	0	29,982
(1,791)	0	(1,791)
62,339	0	62,339
(4,203)	0	(4,203)
(167,249)	0	(167,249)
(44,314)	0	(44,314)
<u>(2,213,771)</u>	<u>0</u>	<u>(2,213,771)</u>
0	117,181	117,181
<u>0</u>	<u>100</u>	<u>100</u>
<u>0</u>	<u>117,281</u>	<u>117,281</u>
<u>(2,213,771)</u>	<u>117,281</u>	<u>(2,096,490)</u>
182,939	0	182,939
186,506	0	186,506
1,466,890	0	1,466,890
162,986	0	162,986
496,131	0	496,131
0	170,209	170,209
59,275	18,053	77,328
<u>2,554,727</u>	<u>188,262</u>	<u>2,742,989</u>
340,956	305,543	646,499
<u>(232,156)</u>	<u>(66,241)</u>	<u>(298,397)</u>
<u>\$108,800</u>	<u>\$239,302</u>	<u>\$348,102</u>

City of Campbell, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	(\$361,091)	\$469,891	\$108,800
Fund Balances			
Reserved for Encumbrances	546,630	257,979	804,609
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(907,721)	0	(907,721)
Special Revenue Funds	0	173,774	173,774
Capital Projects Funds	0	38,138	38,138
<i>Total Fund Balances (Deficit)</i>	(\$361,091)	\$469,891	\$108,800

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$182,939	\$186,506	\$369,445
Income Taxes	1,466,890	162,986	1,629,876
Intergovernmental	470,492	656,033	1,126,525
Charges for Services	60,206	14,000	74,206
Fines, Licenses and Permits	263,949	100,534	364,483
Miscellaneous	54,946	4,329	59,275
<i>Total Receipts</i>	<u>2,499,422</u>	<u>1,124,388</u>	<u>3,623,810</u>
Disbursements			
Current:			
General Government	871,032	26,532	897,564
Security of Persons and Property:			
Police	837,811	104,187	941,998
Fire	518,174	102,665	620,839
Leisure Time Activities	0	73,029	73,029
Community Environment	1,551	185,200	186,751
Basic Utility Services	0	1,791	1,791
Transportation	0	345,116	345,116
Capital Outlay	0	4,203	4,203
Debt Service:			
Principal Retirement	44,288	122,961	167,249
Interest and Fiscal Charges	35,792	8,522	44,314
<i>Total Disbursements</i>	<u>2,308,648</u>	<u>974,206</u>	<u>3,282,854</u>
<i>Excess of Receipts Over Disbursements</i>	<u>190,774</u>	<u>150,182</u>	<u>340,956</u>
Other Financing Sources (Uses)			
Transfer In	0	13,791	13,791
Transfer Out	(13,791)	0	(13,791)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,791)</u>	<u>13,791</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	176,983	163,973	340,956
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(538,074)</u>	<u>305,918</u>	<u>(232,156)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$361,091)</u></u>	<u><u>\$469,891</u></u>	<u><u>\$108,800</u></u>

See accompanying notes to the financial statements

City of Campbell, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$219,499	\$219,499	\$182,939	(\$36,560)
Income Taxes	1,455,618	1,455,618	1,466,890	11,272
Intergovernmental	401,177	401,177	470,492	69,315
Investment Earnings	2,382	2,382	0	(2,382)
Charges for Services	58,714	58,714	60,206	1,492
Fines, Licenses and Permits	257,408	257,408	263,949	6,541
Miscellaneous	50,385	50,385	54,946	4,561
<i>Total Revenues</i>	2,445,183	2,445,183	2,499,422	54,239
Expenditures				
Current:				
General Government	980,160	1,032,680	1,084,681	(52,001)
Security of Persons and Property:				
Police	1,267,280	1,010,967	1,043,312	(32,345)
Fire	719,520	660,411	645,273	15,138
Community Environment	0	1,551	1,932	(381)
Debt Service:				
Principal Retirement	0	0	44,288	(44,288)
Interest and Fiscal Charges	0	0	35,792	(35,792)
<i>Total Expenditures</i>	2,966,960	2,705,609	2,855,278	(149,669)
<i>Excess of Revenues Under Expenditures</i>	(521,777)	(260,426)	(355,856)	(95,430)
Other Financing Uses				
Transfers Out	0	0	(13,791)	(13,791)
<i>Net Change in Fund Balance</i>	(521,777)	(260,426)	(369,647)	(109,221)
<i>Fund Deficit Beginning of Year</i>	(680,800)	(680,800)	(680,800)	0
Prior Year Encumbrances Appropriated	142,726	142,726	142,726	0
<i>Fund Deficit End of Year</i>	(\$1,059,851)	(\$798,500)	(\$907,721)	(\$109,221)

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$237,315</u>	<u>\$1,987</u>	<u>\$239,302</u>
Net Assets			
Unrestricted	<u>\$237,315</u>	<u>\$1,987</u>	<u>\$239,302</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2004*

	Water	Sewer	Total
Operating Receipts			
Charges for Services	\$1,425,138	\$644	\$1,425,782
Miscellaneous	18,053	0	18,053
<i>Total Operating Receipts</i>	<u>1,443,191</u>	<u>644</u>	<u>1,443,835</u>
Operating Disbursements			
Personal Services	417,360	0	417,360
Fringe Benefits	161,651	0	161,651
Contractual Services	248,325	544	248,869
Materials and Supplies	310,412	0	310,412
<i>Total Operating Disbursements</i>	<u>1,137,748</u>	<u>544</u>	<u>1,138,292</u>
<i>Operating Income</i>	305,443	100	305,543
Non-Operating Receipts (Disbursements)			
Proceeds of OWDA Loans	170,209	0	170,209
Redemption of Principal	(54,299)	0	(54,299)
Interest and Fiscal Charges	(115,910)	0	(115,910)
<i>Total Non-Operating Receipts (Disbursements)</i>	0	0	0
<i>Change in Net Assets</i>	305,443	100	305,543
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(68,128)</u>	<u>1,887</u>	<u>(66,241)</u>
<i>Net Assets End of Year</i>	<u><u>\$237,315</u></u>	<u><u>\$1,987</u></u>	<u><u>\$239,302</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Funds
December 31, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	\$289,873
Cash and Cash Equivalents in Segregated Accounts	<u>110,301</u>
<i>Total Assets</i>	<u><u>\$400,174</u></u>
 Liabilities	
Due to Others	\$118,069
Due to Other Governments	<u>282,105</u>
<i>Total Liabilities</i>	<u><u>\$400,174</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, 2004

Note 1 - 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 four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. 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.

On June 10, 2004, the Auditor of State's office declared the City of Campbell to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants appointed by the Governor from various corporations and/or organizations who reside or work within the City and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had been adopted by the City and the plan must be updated annually. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be conducted in accordance with the plan.

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, agencies, departments and offices that are not legally separate from the City. For the City of Campbell this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, street maintenance and municipal court.

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 the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Principles Board (ABP) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The government-wide statement of net assets presents the cash balance of the governmental and business-type activities of the City at year end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the City's governmental activities and for the business-type activities of the City. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a cash basis or draws from the City's general receipts.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

Proprietary Funds The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds. The following are descriptions of the City's enterprise funds.

Water Fund The water fund accounts for revenues generated from the charges for distribution of water service to the residential and commercial users located within the City.

Sewer Fund The sewer fund accounts for sewer services to the residential and commercial users located within the City. The costs of providing these services are financed primarily through user charges.

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

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in the note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. There was no interest revenue credited to the general fund during 2004.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The City values investments and cash equivalents at cost. For presentation on the financial statements, the City classifies investments of the cash management pool as cash equivalents.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts."

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

H. Long-term Obligations

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid.

I. Fund Balance Reserves

The City reserves any portion of fund balances legally segregated for a specific future use or which are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

J. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws, or regulations of other governments have imposed limitations on their use.

The City first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

K. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses; proprietary funds report transfers after nonoperating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

L. 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 ordinance, 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 the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if the City Finance Director projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate of estimated resources when the City Council adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations ordinance were passed by City Council.

The City Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation ordinance the City Council passed during the year.

Note 3 – Compliance

Ohio Administrative Code, section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

The City did not issue an original amended certificate to go with the issuance of the original appropriation resolution, in violation of budgetary law.

The federal emergency management agency and the community development special revenue funds had final appropriations in excess of estimated resources plus carryover balances in the amount of \$14,586 and \$1,127, respectively, contrary to Section 5705.39, Revised Code.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the City is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 are therefore presented only for funds which did not contribute to the City being placed in fiscal emergency.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$546,630.

Note 5 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation 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, Government National Mortgage Association, and Student Loan

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio);

The City may also invest any 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; and
3. Obligations of the City.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or custodian.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, requires disclosures to help assess actual and potential future deposit and investment market and credit risks". The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits At year end, the carrying amount of the City's deposits was \$748,276 and the bank balance was \$904,378. Of the bank balance:

1. \$300,737 was covered by federal depository insurance.
2. \$603,641 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the City's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 6 – Receivables

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

The full tax rate for all City operations for the year ended December 31, 2004 was \$6.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$56,343,720
Other Real Estate	6,598,930
Public Utility Personal Property	3,715,120
Tangible Personal Property	<u>4,191,672</u>
Total	<u><u>\$70,849,442</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the 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 alternate payment dates to be established.

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

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

B. Income Tax

The City levies and collects an income tax of 2.5 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 2004, the proceeds were allocated ninety percent to the general fund and ten percent to the park special revenue fund.

Note 7 - Contingencies

A. Grants

The City receives 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 any 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, 2004.

B. Litigation

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

Note 8 - Risk Management

The City of Campbell is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2004, the City contracted with Ohio Plan Insurance for various types of insurance coverage as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Inland Marine	\$302,695	\$500
Property	17,508,607	1,000
Electronic Data Processing	122,000	500
Crime	37,000	100
Fleet Vehicle		
Physical Damage	50,000	500
Liability	2,000,000	500

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

Healthcare is provided through United Healthcare with single coverage of \$310.95 per month, husband and wife coverage of \$652.99 per month, parent and child coverage of \$590.80 per month and full family coverage of \$932.85 per month.

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.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$95,676, \$98,663, and \$101,222 respectively; 57.65 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no contributions to the member-directed plan for 2004.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$72,924 and \$59,875 for the year ended December 31, 2004, \$83,996 and \$68,966 for the year ended

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

December 31, 2003 and \$86,175 and \$70,755 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 72.59 percent for police and 70.16 percent for firefighters has been contributed for 2004.

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$40,074. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$48,099 for police and \$28,556 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 11 –Leases

The City has existing leases for a fire truck and a telephone system.

The City disbursed \$34,738 to pay lease costs for the year ended December 31, 2004. Future lease payments are as follows:

Year Ending December 31,	
2005	\$38,242
2006	35,786
2007	35,786
Total Minimum Lease Payments	109,814
Less: Amount Representing Interest	(11,745)
Present Value of Minimum Lease	\$98,069

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 12 - Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Governmental Activities			
<i>Long-Term Loan</i>			
Street Paving - 1999	4.00 - 5.50%	\$350,000	2005
<i>General Obligation Notes - 2003</i>	4.00%	70,000	2004
Business-Type Activities			
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	5.16 - 5.54%	2,418,209	2024
Loan Repayment Loan - 2004	5.16	170,209	2014
<i>OPWC Loans</i>			
Liberty Sewer Water Tank - 1999	0.00%	809,670	2021
Water System Improvement - 1994	0.00%	505,300	2011

The changes in long-term obligations during the year were as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
Governmental Activities					
<i>Long-term Loan</i>					
Street Paving	\$166,095	\$0	(\$52,961)	\$113,134	\$54,314
<i>General Obligation Note</i>	70,000	0	(70,000)	0	0
<i>Other</i>					
Police and Fire Pension	612,373	0	(9,550)	602,823	9,961
Telephone System Lease	8,775	0	(6,381)	2,394	2,394
Fire Truck Lease	124,032	0	(28,357)	95,675	30,055
<i>Total Governmental Activities</i>	<u>\$981,275</u>	<u>\$0</u>	<u>(\$167,249)</u>	<u>\$814,026</u>	<u>\$96,724</u>
Business-Type Activities					
<i>OWDA Loans</i>					
Water Treatment Plant	\$2,061,057	\$0	(\$54,299)	\$2,006,758	\$57,307
Loan Repayment	0	170,209	0	170,209	13,390
<i>Total OWDA Loans</i>	<u>2,061,057</u>	<u>170,209</u>	<u>(54,299)</u>	<u>2,176,967</u>	<u>70,697</u>
<i>OPWC Loans</i>					
Liberty Sewer Water Tank	627,494	0	0	627,494	0
Water System Improvement	185,277	0	0	185,277	0
<i>Total OPWC Loans</i>	<u>812,771</u>	<u>0</u>	<u>0</u>	<u>812,771</u>	<u>0</u>
Total Business-Type Activities	<u>\$2,873,828</u>	<u>\$170,209</u>	<u>(\$54,299)</u>	<u>\$2,989,738</u>	<u>\$70,697</u>

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The long-term loan will be paid from the permissive special revenue fund. The general obligation note was paid from the safety forces special revenue fund. The OWDA and OPWC loans will be paid with user charges from the water enterprise fund. The OWDA loans received a one-year forgiveness period due to the City's current financial constraints. Payments will commence during 2005. The OPWC loans have received a two year forgiveness period due to the economic hardships that the City is facing. Payments will commence during 2006. The capital leases are paid from the general fund.

The City's overall legal debt margin was \$7,322,907 with an unvoted debt margin of \$3,781,935 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Governmental Activities				
	Long-term Loan		Police and Fire Pension Liability	
	Principal	Interest	Principal	Interest
	2005	\$54,314	\$4,731	\$9,961
2006	58,820	2,067	10,389	25,087
2007	0	0	10,835	24,642
2008	0	0	11,300	24,176
2009	0	0	11,786	23,690
2010 - 2014	0	0	66,971	110,410
2015 - 2019	0	0	82,642	94,738
2020 - 2024	0	0	101,982	75,398
2025 - 2029	0	0	125,849	51,531
2030 - 2034	0	0	155,298	22,084
2035	0	0	15,810	336
Total	\$113,134	\$6,798	\$602,823	\$477,607

Business-Type Activities			
	OWDA Loan		OPWC Loans
	Principal	Interest	Principal
	2005	\$70,697	\$119,786
2006	74,572	115,912	74,170
2007	78,659	111,824	74,171
2008	82,970	107,513	74,171
2009	87,519	102,965	74,171
2010 - 2014	515,028	437,392	252,950
2015 - 2019	548,842	293,565	202,420
2020 - 2024	718,680	123,731	60,718
Total	\$2,176,967	\$1,412,688	\$812,771

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 13 – Interfund Transfers

During 2004, the following transfers were made:

Transfers In	Transfers Out
	General
<i>Governmental Activities:</i>	
Area on Aging	\$12,000
State Issue II	1,791
Total Transfers	\$13,791

Transfers are used to move revenues from the fund that statute of budget requires to collect them to the fund that statute or budget requires to expand them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The general fund transfer to the area on aging special revenue fund is to provide additional operating costs. The general fund transfer to the State Issue II special revenue fund was to pay the City’s share of a sidewalk extension project.

Note 14 – Subsequent Event

The City issued Local Government Fund Notes in March 2005 in the amount of \$746,939, plus a premium of \$26,143 to cover note issuance costs, for indebtedness of \$773,082. The purpose of the notes is to pay past due accounts payable arising from the City’s deficit spending pursuant to a declaration of Fiscal Emergency Condition by the Auditor of State on June 10, 2004. The notes are dated March 18, 2005, with an interest rate of 6.228 percent, and a final maturity date of December 1, 2012. Principal and interest payments are due June 1 and December 1, commencing June 1, 2005. The City has pledged revenue to be received through the Mahoning County Auditor from the State Local Government fund pursuant to Section 5747.51 of the Ohio Revised Code that is levied pursuant to Section 5707.5751 of the Ohio Revised Code. The Mahoning County Auditor will deduct amounts from the City’s allocation on a monthly basis and remit the amounts to be deducted to the fiscal agent in order to make payment of principal and interest when due.

A 5 mill property tax levy is on the September 27, 2005 ballot to provide an additional estimated \$330,000 annually, net of County Auditor and Treasurer’s fees. This levy was defeated by the citizens on February 8, 2005.



Mary Taylor, CPA

Auditor of State

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

City of Campbell
Mahoning County
351 Tenney Avenue
Campbell, Ohio 44405

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2009, wherein we noted the City prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B), and wherein we noted the City is experiencing financial difficulties and is in fiscal emergency. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2004-003 and 2004-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2004-003 and 2004-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated March 9, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 through 2004-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated March 9, 2009.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 9, 2009

**CITY OF CAMPBELL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the City prepares its financial statements in accordance with a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

We recommend the City prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The City did not file their annual report for fiscal year 2004 until September 21, 2005.

We recommend the City comply with the aforementioned statute to ensure the annual report is submitted in a timely manner, and avoid any monetary penalties.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-003

Noncompliance Citation and Material Weakness

Ohio Revised Code § 149.43 provides in part that “public record” means a record that is kept by any public office, including, but not limited to, state, county, city, village, township, and school district units. Furthermore division (B)(1) of this section states that all public records shall be promptly prepared and made readily available for inspection to any person at all reasonable times during regular business hours. Upon request, a public office or person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The City could not provide us with the following records:

- The Official Certificate of Estimated Resources;
- Signed bank depository agreements.

Furthermore, the City had significant delays in providing the following records:

- Council Resolution accepting amounts and rates and authorizing the necessary tax levies;
- Council Resolutions approving all interfund transfers;
- Proof of Publication for the fiscal year 2004 Annual Report;
- 1099s;
- W-2s for all employees receiving taxable fringe benefits;
- Supporting documentation for the payments made to PERS and OP&F;
- Payroll related Ordinances establishing or changing pay rates for officials or employees of the City;
- Collective Bargaining Agreements;
- Public Officials Bonds;
- Auditor of State Requests for Fund Approval for the Storm Water Management Fund (No. 286) and the Trash Collection Fund (No. 665);
- Utility rates;
- Detailed list of outstanding encumbrances as of year-end;
- List of all employees leaving service during the year;
- Updated internal control narratives;
- Seven purchase orders;
- Ten voucher packages related to the City’s Community Development Block Grant;
- List of all deposits-in-transit and other reconciling items as of year-end and supporting documentation thereto;
- Pledged collateral;
- Twelve invoices related to the expenditure of City monies;
- Supporting documentation to ensure that projects related to a HOME Grant were competitively bid;
- Voided checks;
- Supporting documentation for a negative adjustment journal entry for (\$10,809), and a disbursement for \$1,276 that were posted to the Disbursement Ledger.

We recommend the City maintain records in a manner which provides for timely response to all requested records.

Officials’ Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code § 5705.10(H) provides that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to satisfy the obligations of the fund or funds carrying the deficit balance.

As of December 31, 2004, the City had the following deficit fund cash balance:

General.....	(\$374,433)
Street, Construction, Maintenance & Repair.....	(186,944)
State Highway Improvement.....	(26,453)
Land Revitalization.....	(92)
Court Legal Research.....	(8,904)
Area on Aging.....	(19,745)
State Issue II.....	(31,986)
Water.....	(55,303)

We recommend the City monitor the status of their cash fund balances throughout the year to ensure that deficit spending does not occur.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(4) provides that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the district will be less than the amount included in the current official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and the commission shall certify an amended official certificate reflecting the deficiency.

The City's certified receipts were in excess of actual receipts, while the current appropriations exceeded the total actual receipts in the following funds, respectively:

2004 Fund	certified receipts over actual receipts by	current appropriations over total actual receipts
Federal Emergency Assistance	\$155,000	\$169,586
Community Development CHIP	317,346	318,535
State Issue II	507,254	513,380
Parks Improvement	25,800	17,157
Sales Tax Development	36,904	36,904

We recommend the City obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will become less than the amounts estimated.

**FINDING NUMBER 2004-005
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-006

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

We noted the following noncompliance issues:

- Appropriations exceeded estimated resources in the General Fund by \$888,191 for fiscal year 2004. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2004 of \$374,433.
- Appropriations exceeded estimated resources in the Street, Construction, Maintenance and Repair Fund by \$235,922 for fiscal year 2004. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2004 of \$186,944.
- Appropriations exceeded estimated resources in the Water Fund by \$304,717 for fiscal year 2004. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2004 of \$55,303.

We recommend that Management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

FINDING NUMBER 2004-007
(Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certificate ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

- C. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certificate is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-four out of forty expenditures (60%) tested for fiscal year 2004, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the City followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend the Finance Director certify that funds are or will be available prior to the obligation of the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City certify expenditures to which § 5705.41(D) applies. The most convenient certification method to authorize disbursements is to use purchase orders that include certification language required by § 5705.41(D). The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2004-008

Material Weakness

The City's financial reporting system contained the following errors:

- The outstanding checklist as of December 31, 2004 contained 24 City checks and 3 Municipal Court checks that were outstanding longer than one year. In addition, the total outstanding checklist amount was different from the audited amount by \$2,490.
- The cash reconciliation contained a bank error for \$826 that remained unresolved since December 2003, and nonsufficient funds amounts that were not supported.
- The cash reconciliation did not include the financing activity related to the Municipal Court's capital improvement bank account, resulting in an audit adjustment of \$19,592 to the 2004 financial statements.
- Cash reconciliations contained cash fund balances that did not agree to the audited cash fund balance amounts.
- A bank account listed the name of a former Finance Director on the account.
- The 2004 financial statements contained an adjustment for an \$8,550 error that occurred in 2003. However, the amount was corrected and reflected in the 2003 financial statements. In addition, the City made a \$1,255 adjustment to the financial statements for an unknown variance.
- Sixteen funds, reflected in the City's financial statements, contained beginning cash fund balance amounts that did not agree to the prior year's ending cash fund balance.
- Thirty-five receipts and disbursements we tested were incorrectly or not posted to the ledgers.

As a result of these errors, the City's Financial Statements required audit adjustments and reclassifications, and year-end cash reconciliations were revised to agree to supporting records leaving the City with a depository balance that exceeded their cash fund balance as of December 31, 2004 by \$838. Consequently, an additional audit adjustment was required to increase the General's Fund's cash fund balance to agree to their depository balances.

Council should carefully review these matters and develop internal control over their financial reporting system which supports the integrity of the City's financial records. We recommend that Council consider the following procedures:

- Council and management should review the Cash Journal, Receipts and Expenditures Ledgers, and Financial Statements, and document said review in the City's Record of Proceedings of its Council's meetings. As part of this review, Council and management should determine whether transactions are posted to the appropriate fund and line-item, and that totals of the Cash Journal, Receipts and Expenditures Ledgers, and Financial Statements agree and are complete and accurate;
- The Finance Director should provide Council with accurate cash reconciliations with supporting documentation, if necessary. Council should document their review in the City's Record of Proceedings of its Council's meetings;
- The Finance Director should prepare analytics or a comparable mechanism to identify unusual and/or significant fluctuations in the Cash Journal and the Receipts and Expenditures Ledgers, and take corrective action, if necessary.

**FINDING NUMBER 2004-008
(Continued)**

- The City should maintain all supporting documentation for receipts and disbursements in an organized fashion;
- Council should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be voided, re-issued, or placed in an unclaimed moneys fund.
- Council should ensure that only authorized signatories are listed on the City's bank accounts.

Also, we recommend the City's automated record keeping system be able to produce the following reports:

- Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances;
- Combining Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances;
- Reconciliation of Inter-Fund Transactions;
- Schedule of Outstanding Debt;
- Cash Reconciliation;
- Comparison of Budget/Actual Receipts; and
- Comparisons of Disbursements and Encumbrances With Expenditure Authority.

The financial reports identified above provide Management with important data necessary to manage the City, and fundamental information in the audit of the City's financial statements.

This system should also include an Investment Ledger that is integrated with the City's primary accounting system, and enables the Finance Department to perform reconciliations between depository and investment balances and fund cash balances.

Officials' Response:

We did not receive a response from Officials to this finding.

**CITY OF CAMPBELL
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Financial reporting system material weakness.	No	Not Corrected. This was reissued as Finding No. 2004-008.
2003-002	Ohio Administrative Code 117-2-03(B), City did not prepare its annual reporting accordance with accounting principles generally accepted in the United States of America.	No	Not Corrected. This was reissued as Finding No. 2004-001.
2003-003	Ohio Revised Code § 149.43, failure to properly furnish documents.	No	Not Corrected. This was reissued as Finding No. 2004-003.
2003-004	Ohio Revised Code § 5705.10(H), deficit spending.	No	Not Corrected. This was reissued as Finding No. 2004-004.
2003-005	Ohio Revised Code § 5705.36, certified receipts in excess of actual receipts while appropriations exceeded total actual receipts.	No	Not Corrected. This was reissued as Finding No. 2004-005.
2003-006	Ohio Revised Code § 5705.39, appropriations exceeded estimated resources, while disbursements exceeded the actual revenue available, resulting in a deficit balance.	No	Not Corrected. This was reissued as Finding No. 2004-006.
2003-007	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not Corrected. This was reissued as Finding No. 2004-007.



Mary Taylor, CPA
Auditor of State

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
APRIL 14, 2009**