



**CITY OF CAMPBELL
MAHONING COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CAMPBELL
MAHONING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying financial statements of City of Campbell, Mahoning County, (the City) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described Note 1, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, 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, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of City of Campbell, Mahoning County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

We performed our audit to form an opinion on the financial statements of the City, taken as a whole. The accompanying schedules of federal awards expenditures are presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Council, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 15, 2001

**CITY OF CAMPBELL
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,621,778	\$216,533		\$1,838,311
Intergovernmental Receipts	553,188	590,172		1,143,360
Charges for Services	2,547	5,891		8,438
Fines, Licenses, and Permits	218,699	74,157		292,856
Miscellaneous	113,280	3,162		116,442
	<u>2,509,492</u>	<u>889,915</u>		<u>3,399,407</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,659,542	10,809		1,670,351
Public Health Services	113,207	2,077		115,284
Leisure Time Activities		190,730		190,730
Community Environment		277,841		277,841
Transportation		243,432		243,432
General Government	1,213,219	143,854		1,357,073
Debt Service:				
Principal Payments	21,200			21,200
Interest Payments	14,586			14,586
Capital Outlay		156,725	\$662,841	819,566
	<u>3,021,754</u>	<u>1,025,468</u>	<u>662,841</u>	<u>4,710,063</u>
Total Receipts Over/(Under) Disbursements	<u>(512,262)</u>	<u>(135,553)</u>	<u>(662,841)</u>	<u>(1,310,656)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	13,260	48,100		61,360
Advances-In	110,000			110,000
Other Financing Receipts	165,102	7,241	659,544	831,887
Transfers-Out	(36,100)	(13,260)		(49,360)
Other Financing (Disbursements)	(17,895)	(16,042)		(33,937)
	<u>234,367</u>	<u>26,039</u>	<u>659,544</u>	<u>919,950</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(277,895)	(109,514)	(3,297)	(390,706)
Fund Cash Balances January 1	<u>304,577</u>	<u>322,516</u>	<u>11,840</u>	<u>638,933</u>
Fund Cash Balances, December 31	<u>\$26,682</u>	<u>\$213,002</u>	<u>\$8,543</u>	<u>\$248,227</u>
Reserves for Encumbrances, December 31	<u>\$6,691</u>	<u>\$6,719</u>		<u>\$13,410</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELL
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,901,103	\$1,227	\$2,902,330
Miscellaneous	12,989	12,544	25,533
Total Operating Cash Receipts	<u>2,914,092</u>	<u>13,771</u>	<u>2,927,863</u>
Operating Cash Disbursements:			
Personal Services	1,171,341		1,171,341
Contractual Services	375,058		375,058
Supplies and Materials	214,190		214,190
Capital Outlay	48,763	360,164	408,927
Miscellaneous	6,720	67,534	74,254
Total Operating Cash Disbursements	<u>1,816,072</u>	<u>427,698</u>	<u>2,243,770</u>
Operating Income/(Loss)	<u>1,098,020</u>	<u>(413,927)</u>	<u>684,093</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	7,759	17,276	25,035
Intergovernmental Receipts		51,884	51,884
Other Non-Operating Receipts		819,453	819,453
Total Non-Operating Cash Receipts	<u>7,759</u>	<u>888,613</u>	<u>896,372</u>
Non-Operating Cash Disbursements:			
Debt Service	801,967		801,967
Other Non-Operating Cash Disbursements	165,102	472,110	637,212
Total Non-Operating Cash Disbursements	<u>967,069</u>	<u>472,110</u>	<u>1,439,179</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	138,710	2,576	141,286
Transfers-Out		(12,000)	(12,000)
Advances-Out	(80,000)	(30,000)	(110,000)
Net Receipts Over/(Under) Disbursements	58,710	(39,424)	19,286
Fund Cash Balances, January 1	<u>699,947</u>	<u>72,548</u>	<u>772,495</u>
Fund Cash Balances, December 31	<u>\$758,657</u>	<u>\$33,124</u>	<u>\$791,781</u>
Reserve for Encumbrances, December 31	<u>\$2,366</u>	<u>\$10,924</u>	<u>\$13,290</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELL
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,625,464	\$216,677		\$1,842,141
Intergovernmental Receipts	490,425	459,644	\$371,387	1,321,456
Charges for Services	3,142	5,222		8,364
Fines, Licenses, and Permits	247,174	78,634		325,808
Miscellaneous	40,549	2,294		42,843
	<u>2,406,754</u>	<u>762,471</u>	<u>371,387</u>	<u>3,540,612</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	1,532,349	11,989		1,544,338
Public Health Services	75,351	1,691		77,042
Leisure Time Activities		182,046		182,046
Community Environment		261,694		261,694
Transportation		202,268		202,268
General Government	992,073	9,705		1,001,778
Debt Service:				
Principal Payments	20,002			20,002
Interest Payments	15,785			15,785
Capital Outlay			1,324,724	1,324,724
	<u>2,635,560</u>	<u>669,393</u>	<u>1,324,724</u>	<u>4,629,677</u>
Total Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(228,806)</u>	<u>93,078</u>	<u>(953,337)</u>	<u>(1,089,065)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	7,600	35,000		42,600
Other Financing Receipts	500,002	6,842	965,577	1,472,421
Transfers-Out	(35,000)	(7,600)		(42,600)
Other Financing (Disbursements)	(1,206)	(24,641)		(25,847)
	<u>471,396</u>	<u>9,601</u>	<u>965,577</u>	<u>1,446,574</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	242,590	102,679	12,240	357,509
Fund Cash Balances January 1	61,987	219,837	(400)	281,424
Fund Cash Balances, December 31	<u>\$304,577</u>	<u>\$322,516</u>	<u>\$11,840</u>	<u>\$638,933</u>
Reserves for Encumbrances, December 31	<u>\$2,892</u>	<u>\$25,652</u>	<u>\$13,124</u>	<u>\$41,668</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELL
MAHONING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,924,081	\$1,800	\$2,925,881
Miscellaneous	16,570	34,957	51,527
Total Operating Cash Receipts	<u>2,940,651</u>	<u>36,757</u>	<u>2,977,408</u>
Operating Cash Disbursements:			
Personal Services	1,062,009		1,062,009
Contractual Services	373,576		373,576
Supplies and Materials	240,598		240,598
Capital Outlay	104,883		104,883
Miscellaneous	6,010	149,557	155,567
Total Operating Cash Disbursements	<u>1,787,076</u>	<u>149,557</u>	<u>1,936,633</u>
Operating Income/(Loss)	<u>1,153,575</u>	<u>(112,800)</u>	<u>1,040,775</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		47,000	47,000
Intergovernmental Receipts		68,518	68,518
Other Non-Operating Receipts		524,806	524,806
Total Non-Operating Cash Receipts		<u>640,324</u>	<u>640,324</u>
Non-Operating Cash Disbursements:			
Debt Service	701,668		701,668
Other Non-Operating Cash Disbursements	234,402	516,436	750,838
Total Non-Operating Cash Disbursements	<u>936,070</u>	<u>516,436</u>	<u>1,452,506</u>
Net Receipts Over/(Under) Disbursements	217,505	11,088	228,593
Fund Cash Balances, January 1	<u>482,442</u>	<u>61,460</u>	<u>543,902</u>
Fund Cash Balances, December 31	<u>\$699,947</u>	<u>\$72,548</u>	<u>\$772,495</u>
Reserve for Encumbrances, December 31	<u>\$7,344</u>		<u>\$7,344</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Campbell, Mahoning County, (the City) is incorporated as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a "Mayor-Director-Council Form of Government" and provides the following services: security of persons and property, park operations (leisure time activities), public health welfare, transportation (streets and highways), public improvements, community development, and general governmental services including water and sewer utilities.

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

B. Basis of Accounting

Although required by Administrative Code Section 117-6-01 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. Cash and Investments

Repurchase agreements and Armanda Treasury Money Market are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant Special Revenue Funds:

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing City streets.

Park and Recreational Fund - This fund receives income tax monies, charges for services and general fund transfers for the maintenance of parks, playgrounds, and recreational facilities.

Community Development Fund - This fund receives federal financial assistance for community housing improvement programs and community development.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The City had the following significant capital project funds:

State Issue II Fund - This fund receives grant and loan proceeds from Ohio Public Works Commission and loan proceeds from the Ohio Water Development Authority. The moneys are being used for various water and wastewater improvements.

State Waterplant Improvement Fund - This fund receives loan proceeds from Ohio Water Development Authority. The moneys are being used for various water and wastewater improvements.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The City had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Fund - This fund receives utility surcharges for the retirement of Ohio Water Development Authority loans which were obtained for various water and wastewater improvements.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following significant fiduciary funds:

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Escrow Fund - This fund primarily receives insurance proceeds, grants from the Ohio Department of Transportation, grant proceeds related to the City's police department, delinquent real estate taxes, and loan proceeds. The City uses these moneys primarily to ensure property destroyed by fire and other natural disasters is restored, street construction and repair, and for policing programs.

Municipal Court Fund - This fund accounts for the operation of the Campbell Municipal Court solely in an agency capacity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds including the City's Municipal Court Agency Fund for which the City does not budget) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. City Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The City did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the City.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ (157,140)	\$ 462,525
Total deposits	<u>(157,140)</u>	<u>462,525</u>
Repurchase Agreements:		
Key Bank	707,887	755,842
National City Bank	485,000	180,000
Armada Treasury Money Market	<u>4,261</u>	<u>13,061</u>
Total investments	<u>1,197,148</u>	<u>948,903</u>
Total deposits and investments	<u>\$ 1,040,008</u>	<u>\$ 1,411,428</u>

A. Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

B. Investments

Written repurchase agreements in government securities provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days. The repurchase agreements are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's investment portfolio also includes an uninsured and unregistered investment for which the security is held by the broker or dealer or by its trust department but not in the City's name. The financial institution maintains records identifying the City as owner of this security. Investment in money market funds are not evidenced by securities that exist in physical or book-entry form.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,111,480	\$ 2,687,854	\$ (423,626)
Special Revenue	1,340,661	945,256	(395,405)
Capital Projects	2,849,971	659,544	(2,190,427)
Enterprise	3,082,010	2,921,851	(160,159)
Agency	72,750	432,931	360,181
Total	<u>\$ 10,456,872</u>	<u>\$ 7,647,436</u>	<u>\$ (2,809,436)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,114,372	\$ 3,082,440	\$ 31,932
Special Revenue	1,472,872	1,061,489	411,383
Capital Projects	2,863,095	662,841	2,200,254
Enterprise	3,089,354	2,785,507	303,847
Agency	272,750	450,622	(177,872)
Total	<u>\$ 10,812,443</u>	<u>\$ 8,042,899</u>	<u>\$ 2,769,544</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,647,374	\$ 2,914,356	\$ 266,982
Special Revenue	1,252,023	804,313	(447,710)
Capital Projects	1,555,000	1,336,964	(218,036)
Enterprise	2,925,458	2,940,651	15,193
Agency	200,000	152,275	(47,725)
Total	<u>\$ 8,579,855</u>	<u>\$ 8,148,559</u>	<u>\$ (431,296)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,704,055	\$ 2,674,658	\$ 29,397
Special Revenue	1,445,271	727,286	717,985
Capital Projects	1,554,000	1,337,848	216,152
Enterprise	2,980,805	2,730,490	250,315
Agency	205,508	149,557	55,951
Total	<u>\$ 8,889,639</u>	<u>\$ 7,619,839</u>	<u>\$ 1,269,800</u>

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The City had disbursements and encumbrances exceed appropriations and prior year carryover encumbrances in the Escrow Fund for the period ending December 31, 1999 contrary to Ohio Revised Code Section 5705.41 (B). In addition, the City was in violation of Ohio Revised Code Section 5705.41 (D). Prior certification was not presented for several expenditures. Furthermore, several purchase orders did not reflect the signature of the Finance Director, which validates the Certificate.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 5,414,981	2.2% - 8.0%
Ohio Public Works Commission Loans	1,109,452	0.00%
Street Paving Project Loan	350,000	5.33%
Fire Truck Lease/Purchase Agreement	222,313	5.99%
Water Meter Replacement Lease/Purchase Agreement	300,164	5.75%
Total	\$ 7,396,910	

The City has six Ohio Water Development Authority (OWDA) loans that relate to a wastewater treatment plant improvement project that was mandated by the Ohio Environmental Protection Agency and a water treatment system upgrade. The OWDA has approved up to \$9,091,281 in loans to the City for these projects. The loans will be repaid in semiannual installments of \$405,460, including interest, over periods ranging from 7.5 to 25 years. The scheduled payment amount below assumes that \$9,091,281 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loans are collateralized by water and sewer receipts.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

The City has two Ohio Public Works Commission (OPWC) loans that relate to water treatment plant improvements and water storage tank replacement, respectively. The OPWC has approved up to \$1,314,970 in loans to the City for these projects. The no interest loans will be repaid in semiannual installments of \$37,085 over periods ranging from 15 and 25 years. The City has borrowed the full amount authorized on these loans and the scheduled payment amount below reflects this. The loans are collateralized by water receipts.

The Street Paving Project loan for \$350,000 was issued during fiscal year 1999 for the purpose of paying the costs of improvements to various city streets including the paving thereof. The loan will be repaid in semiannual installments of \$30,281, including interest over a period of seven years. These notes are backed by the full faith, credit and revenue of the City.

The Fire Truck Lease/Purchase Agreement was entered into to acquire a fire truck with an initial purchase price of \$263,515. The City will pay annual lease payments of \$35,786, including interest for a period of ten years, with an option to purchase the fire truck during this period by paying the remaining balance.

The Water Meter Replacement Lease/Purchase Agreement was entered into to acquire water meters totaling \$402,636. The City will pay semiannual payments of \$47,956, including interest for a period of 10 years, with an option to buy in the third through tenth year by paying the remaining balance.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	OPWC Loans	Street Paving Project Loan	Fire Truck Lease / Purchase Agreement	Water Meter Replacement Lease/ Purchase Agreement
2000	\$ 810,920	\$ 74,170	\$ 60,562	\$ 35,786	\$ 95,911
2001	778,889	74,170	60,562	35,786	95,911
2002	746,858	74,170	60,562	35,786	95,911
2003	746,858	74,170	60,562	35,786	47,956
2004	746,858	74,170	60,562	35,786	
Subsequent	<u>8,139,944</u>	<u>738,602</u>	<u>121,124</u>	<u>107,360</u>	
Total	<u>\$ 11,970,327</u>	<u>\$ 1,109,452</u>	<u>\$ 423,934</u>	<u>\$ 286,290</u>	<u>\$ 335,689</u>

6. RETIREMENT SYSTEMS

The City's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The City contributed an amount equal to 19.5% of law enforcement officer's and 24% of firefighter's gross wages. PERS members contributed 8.5% of their gross salaries. The City contributed an amount equal to 13.55% of participants' gross salaries. The City has paid all contributions required through December 31, 1999.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. CITY INCOME TAX

The City levies a municipal income tax of 2.5% on all salaries, wages commissions and other compensation, and net profits earned within the City. Residents whose income is earned outside the City are allowed a credit for tax paid to another municipality to a maximum of the total assessed.

Employees within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City at least monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

City Ordinance 89-8300 provides in part that ninety percent (90%) of the tax imposed is allocated to provide funds for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements. The remaining ten percent (10%) is allocated for the maintenance of the parks, playgrounds, and recreational facilities. The City collected income tax proceeds of \$1,595,640 and \$1,615,137 for the years ended December 31, 1999 and 1998, respectively.

8. RISK MANAGEMENT

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The City also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

9. DISCONTINUED OPERATIONS

On November 18, 1999 the Board of Control of the City of Campbell signed a purchase agreement with the Board of Commissioners of Mahoning County whereby the City of Campbell sold to Mahoning County all real property, and facilities appurtenant to the operation of the Campbell Waste Water Treatment Plant (WWTP) and sanitary collection system for ownership, operation, and maintenance for the sum of \$1.00. Upon the date of possession of the WWTP, the County shall:

- Assume all responsibilities for the operation and maintenance of the sanitary collection system and waste water treatment plant, and shall operate said facilities under the conditions of the NPDES issued by the Ohio Environmental Protection Agency (EPA).
- Assume the following loans which have been levied against the WWTP as further identified as Ohio EPA Water Pollution Control Loan Fund an Ohio Water Development Authority (OWDA) Loans 0790, 0790S, 0790C, 406SRF and 435RF in the total sum of \$5,223,605.
- The County shall include all residential and commercial consumers within the City of Campbell as consumers of Mahoning County Metropolitan Sewer District, and shall afford to all equal privileges, not limited to the maintenance service provided by Mahoning County Sanitary Engineer, user fee, tap in fees, and capital costs.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

9. DISCONTINUED OPERATIONS (Continued)

- The County and the City under a separate agreement, agree to compensate the City for the service and monthly billing of customers at a rate mutually agreed upon by both parties, based on fees collected.

Transfer of Campbell City's WWTP to the Mahoning County for operation, maintenance and ownership occurred on or about January 1, 2000.

MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Title III-B Grant Program	6368	13.633	\$13,256
Total U.S. Department of Health and Human Services			13,256
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Cities Community Development Block Grant Program - Community Housing Improvement Program	A-C-97-101-1	14.228	274,291
Small Cities Community Development Block Grant Program - Formula Program	A-F-97-101-1	14.228	60,275
Total U.S. Department of Housing and Urban Development			334,566
<u>U.S. DEPARTMENT OF JUSTICE/</u>			
<i>Direct Program:</i>			
Public Safety Partnership and Community Policing Grants -			
COPS Universal Hiring Program	95-CF-WX-1294	16.710	62,105
<i>Passed Through Program From:</i>			
<i>Ohio Office of Criminal Justice Services:</i>			
Juvenile Justice and Delinquency Prevention - Allocation to the States	97-JJ-IN4-0469	16.540	5,325
	98-JJ-IN4-0469	16.540	7,330
Total U.S. Department of Justice			74,760
Total			\$422,582

The accompanying notes to this schedule are an integral part of this schedule.

CITY OF CAMPBELL
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Title III-B Grant Program	6368	13.633	\$13,142
Total U.S. Department of Health and Human Services			<u>13,142</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Cities Community Development Block Grant Program - Community Housing Improvement Program	A-C-97-101-1	14.228	250,016
Small Cities Community Development Block Grant Program - Formula Program	A-F-96-101-1	14.228	7,000
	A-F-97-101-1	14.228	4,678
Total U.S. Department of Housing and Urban Development			<u>261,694</u>
<u>U.S. DEPARTMENT OF JUSTICE/</u>			
<i>Direct Program:</i>			
Public Safety Partnership and Community Policing Grants -			
COPS Universal Hiring Program	95-CF-WX-1294	16.710	58,522
COPS More	97-CM-WX-0845	16.710	6,411
<i>Passed Through Program From:</i>			
<i>Ohio Office of Criminal Justice Services:</i>			
Juvenile Justice and Delinquency Prevention - Allocation to the States	96-JJ-IN4-0469	16.540	1,281
	97-JJ-IN4-0469	16.540	14,538
Total U.S. Department of Justice			<u>80,752</u>
Total			<u><u>\$355,588</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO SCHEDULES OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999 and 1998**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--COMMUNITY DEVELOPMENT BLOCK (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to assist in expansion and/or modernization of equipment. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by machinery and equipment and by mortgages on the property. At December 31, 1999 and 1998, the gross amount of loans outstanding under this program were \$29, 720 and \$20,877, respectively.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 City of Campbell, Mahoning County, (the City) as of and for the years ended December 31, 1999 and 1998 and have issued our report thereon dated August 15, 2001 in which we noted the City prepares its financial statements on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, contrary to Ohio Administrative Code Section 117-6-01. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-21150-005, 1999-21150-006, 1999-21150-007, 1999-21150-008, 1999-21150-009 and 1999-21150-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-21150-001, 1999-21150-002, 1999-21150-003 and 1999-21150-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-21150-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the City in a separate letter dated August 15, 2001.

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

Jim Petro
Auditor of State

August 15, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the City Council:

Compliance

We have audited the compliance of the City of Campbell, Mahoning County, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 1999-21150-011 and 1999-21150-012 in the accompanying schedule of findings, the City did not comply with the requirements regarding cash management and report submission that are applicable to its Small Cities Community Development Block Grant Program - Community Housing Improvement Program. Compliance with such requirements are necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

August 15, 2001

**CITY OF CAMPBELL
MAHONING COUNTY
DECEMBER 31, 1999 AND 1998**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Small Cities Community Development Block Grant Program - Community Housing Improvement Program CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Material Weakness

FINDING NUMBER 1999-21150-001

In our examination of the City's financial reporting system, we noted the following:

- The City's 1999 and 1998 Annual Financial Reports submitted for audit reflected amounts that were improperly classified. Also, certain financial activity of the City was not reflected in the Annual Financial Reports;
- The City's Receipts and Appropriations Ledgers did not agree to their Annual Financial Reports in several accounts;
- The City's funds, receipt line-items, and disbursement line-items were not always classified according to the coding systems provided in the Ohio Administrative Code Rules promulgated by the Auditor of State;
- Various receipt and disbursement transactions, as supported by source documents, were not posted to the Receipts and Appropriations Ledgers.
- Monthly cash reconciliations included incorrect fund and depository balances, and , various reconciling items, including deposits in transit, outstanding checks, bank charges, interest received and other reconciling items that were incorrect or not supported;

As a result of these problems, the City's Financial Statements required numerous audit adjustments, and year end cash reconciliations were performed to agree to supporting records leaving the City with an unreconciled difference of Depository vs. Fund Cash Balances as of December 31, 1998 and 1999, of \$2,419 and \$17,895, respectively. Consequently, additional audit adjustments were prepared to adjust the City's fund cash balances to agree to their depository balances.

Council should carefully review these matters and create 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:

- Management's review of the Cash Journal and Receipts and Appropriations Ledgers and document said review in the City's Record of Proceedings of its Council's meetings. The review should ensure that transactions are posted to the appropriate fund and line-item, and that totals of the Cash Journal and Receipts and Appropriations Ledgers are compared for completeness and accuracy;
- Management's review of the support for the cash reconciliation and document said review in the City's Record of Proceedings of its Council's meetings;
- Management should prepare analytics or a comparable mechanism to identify unusual and/or significant fluctuations in the Cash Journal and the Receipts and Appropriations Ledgers, and take corrective action, if necessary.

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 by Fund;
- 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.

Reportable Conditions

FINDING NUMBER 1999-21150-002

Our examination of the City's internal control over its Utility Department's accounting activity noted the following concerns:

For the reporting period 01/01/98 through 12/31/98, the utility department made 490 adjustments. \$36,113 credit adjustments and \$5,763 debit adjustments.

For the reporting period 01/01/99 through 12/31/99, the utility department made 254 adjustments. \$43,076 credit adjustments and \$36,197 debit adjustments.

The City does not have a policy or any other formal directive that sets forth the necessary procedures to execute utility department adjustments, including, but not necessarily limited to, the review and approval of the adjustments, proper accounting for the adjustments and which adjustments are allowable.

We reviewed the utility department's adjustment receipt books and identified 425 receipts for the period 1/1/98 through 12/31/98, and 205 receipts for the period 1/1/99 through 12/31/99. Some of these receipts listed multiple adjustments which is the primary reason why the total adjustments posted to the adjustment journal did not agree to the number of receipts. The receipts were prenumbered and all were accounted for. The results of our examination of the utility adjustment receipts were as follows:

1998

- All receipts were not signed by the Chief Bookkeeper. (The Chief Bookkeeper prepared the majority of these receipts.)
- 340 receipts were not signed by the Director of Administration, and 85 receipts were signed by the Director of Administration.
- 419 receipts stated the reason for the adjustment, and 6 receipts did not disclose the reason for the adjustment.

1999

- All receipts were not signed by the Chief Bookkeeper. (The Chief Bookkeeper prepared the majority of these receipts.)
- 124 receipts were not signed by the Director of Administration, and 81 receipts were signed by the Director of Administration.
- 202 receipts stated the reason for the adjustment, and 3 receipts did not disclose the reason for the adjustment.

These conditions increase the possibility that errors or irregularities may occur and not be detected in a timely manner. Although we found no evidence of abuse, these conditions may also allow for the diversion of water and sewer fees and/or penalties without sufficient documentation to trace their disposition.

We recommend Council formulate and implement a policy which remedies these conditions including, but not necessarily limited to, procedures that address the following:

- All adjustments to customer accounts should be approved by an authorized official, preferably the Director of Administration, independent of the employee processing the adjustments, and possibly the Mayor if said adjustment exceeds a certain monetary threshold established by Council;
- To facilitate accountability and easy access, customer account adjustment forms should be filed numerically;
- Management should prepare monthly trial balances, for example:

Beginning Balance Due	\$##,###
Billings	##,###
Less: Payments	(##,###)
Adjustments	<u>##,###</u>
Ending Balance Due	<u>\$##,###</u>

The ending balance due should reconcile to the Utility Departments Accounts Receivable Ledgers. Management should compare total payments with depository statements, and should identify the origin of any reconciling items and take corrective action thereto, if necessary;

- Management should sign or initial all reports that they review, and verify the accuracy of its supporting data to serve as proper documentation and ensure the integrity of the City's financial information. This information also provides Council important data necessary to manage the City.

FINDING NUMBER 1999-21150-003

City Resolution 95-8861, provides in part, that each year, administrative costs pertaining to a percentage of the Administrator, Finance Director, Computer Operator, Account Clerk #1, Account Clerk #2 and Cashier shall be allocated from the following funds: General, Park, Street, Water and Sewer. However, this resolution does not specifically address which expenditures i.e., salary, hospitalization, retirement, supplies, equipment, etc, associated with the aforementioned positions are utilized to calculate administrative costs. In addition, the City did not provide documentation supporting the determination of administrative charges, nor did they provide documentation, i.e., time studies, supporting the percentages used to allocate these charges.

Failure to establish administrative cost allocation policies, which are reasonably based on actual activity, can result in over/under allocation of costs to segments. This over/under allocation of administrative costs impairs the usefulness of financial reports for making management decisions.

We recommend Council revisit this concern and create a control policy and/or procedures that provide support for administrative charges.

FINDING NUMBER 1999-21150-004

The City should establish an audit committee. Audit committees can serve as “informed, vigilant, and effective overseers of the financial reporting process and internal controls.” An audit committee should perform the following functions:

- Review the annual unaudited financial report submitted to the Auditor of State;
- Periodically review the process used to prepare interim financial information submitted to Council;
- Review audit results;
- Assure that audit noncompliance citations and recommendations to management are appropriately addressed;
- Assure auditors' independence from management;
- Serve as a liaison between management and independent auditors.

Auditing standards generally accepted in the United States of America require that auditors communicate the following information to an audit committee:

- The auditor's professional responsibility under auditing standards generally accepted in the United States of America;
- Selections of accounting policies;
- Sensitive accounting estimates;

- Significant audit adjustments;
- Disagreements with management;
- Difficulties encountered in performing the audit.

The audit committee can include officials of the City. However, it is preferable to include representation that is independent from elected officials and management. The committee could include professionals knowledgeable in the City's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the City's financial reporting and internal control activities, and should meet with its independent auditors before and after each audit.

Noncompliance Citations

FINDING NUMBER 1999-21150-005

Ohio Revised Code § 117.38 provides in part that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end, and those entities reporting pursuant to accounting principles generally accepted in the United States of America shall file their reports within 150 days after the close of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file 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.

As of August 7, 2001 the Auditor of State's Office has no record of the City of Campbell filing their 1998 annual financial report. Furthermore, the City of Campbell's 1999 cash-basis annual financial report was not filed until April 8, 2000 which exceeded the 60 day filing deadline. In addition, the 1998 and 1999 annual financial reports deviated from the Auditor of State's prescribed format. This situation may result in unnecessary fines.

We recommend that the City file their annual financial reports in accordance with accounting principles generally accepted in the United States of America within 150 days of the fiscal year end to avoid paying penalties, see Finding Number 1999-21150-006.

FINDING NUMBER 1999-21150-006

Ohio Administrative Code Rule 117-6-01 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 on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements 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 that the City prepare their financial statements in accordance with accounting principles generally accepted in the United States of America.

FINDING NUMBER 1999-21150-007

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Disbursements and encumbrances exceeded appropriations and prior year carryover encumbrances in the Escrow fund in 1999 by \$420,195.

We recommend that Management monitor their budgetary cycle to ensure that expenditures do not exceed the amounts appropriated for the current year plus prior year carryover encumbrances, and to ensure that these amounts do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

FINDING NUMBER 1999-21150-008

Ohio Revised Code § 5705.41(D) provides in part that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council.

The obligation date preceded the purchase order date in twenty-eight percent of the expenditures tested to determine the City's compliance with this provision, and there was no evidence of a "then and now" certificate being used. In addition, eleven percent of the expenditures tested did not reflect a signature by the Finance Director on their corresponding purchase order certifying that funds were available. These transactions should have been certified at the time of obligation or after obligation using one of the exceptions provided.

The City honored these contracts and/or orders for expenditure that it did not properly certify rather than declaring them null and void.

Incurring obligations prior to the fiscal officer's certification of the availability of funds for such obligations, could result in the City expending more than was appropriated and/or available.

We recommend that the City comply with the requirements set forth in Ohio Revised Code § 5705.41 (D).

FINDING NUMBER 1999-21150-009

Ohio Revised Code § 149.43 provides in part that "public record" means any 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 did not provide invoices and/or other supporting documentation for twenty percent of our test samples for non-payroll disbursements.

In addition, the City had significant delays in providing the following records:

- Various bank statements;
- Accurate cash reconciliations and supporting documentation thereto;
- Financial statements;
- Supporting documentation for utility department adjustments;
- Councilmatic measures and/or management directives for the approval of water and sewer rates, interest penalties, and assessments for water and sewer capital improvements;
- Various canceled checks for January 1998;
- Certified payrolls from the Robinson Road project and the City Hall improvement project;
- Supporting documentation for the approval of the change orders for various improvement projects;
- Grant agreements for the Community Housing Improvement Program and Community Development Block Grant;
- Various debt agreements and amortization schedules;
- Supporting documentation to determine whether various disbursements over \$1,000 were let to competitive bidding procedures as provided by City charter;
- Supporting documentation to determine the origin of several receipts received by the City or on behalf of the City;
- Supporting documentation for reserve for encumbrances;
- Revenue audit trail reports and expense audit trail reports.

We recommend that the City maintain records in a manner which provides for timely response to all records requests. In doing so, the City should consider developing a file system for disbursements by check number which contains all purchase requisitions, purchase orders, vouchers, invoices any other pertinent supporting documentation.

FINDING NUMBER 1999-21150-010

State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, § (A) (3) (f), provides in part that the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Seventy-eight percent of our test samples indicated that the City did not disburse draw downs for their Community Housing Improvement Program grant within fifteen days of receipt.

Failure to disburse receipts within the Fifteen Day Rule could impede the City's ability to obtain future grant moneys.

We recommend that the draw down of federal cash is only for immediate needs, and disbursement of these moneys is in accordance with the Fifteen Day Rule.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citations

- 1. State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, § (A) (3) (f)**

Finding Number	1999-21150-011
CFDA Title and Number	Small Cities Community Development Block Grant Program - Community Housing Improvement Program / CFDA # 14.228
Federal Award Number / Year	A-C-97-101-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

See Finding #1999-21150-010 above; this finding is also required to be reported in accordance with OMB Circular A-133.

- 2. U.S. Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 320**

Finding Number	1999-21150-012
CFDA Title and Number	Small Cities Community Development Block Grant Program - Community Housing Improvement Program / CFDA # 14.228
Federal Award Number / Year	A-C-97-101-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

FINDING NUMBER 1999-21150-012

U.S. Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 320, provides in part that an audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. (However, for fiscal years beginning on or before June 30, 1998, auditees shall have thirteen months after the end of the audit period to complete the audit and submit the reporting package.)

OMB Circular A-133 required the City to have a single audit for 1999 and 1998 since it had federal award expenditures exceeding \$300,000, respectively. These audits were not completed and the City did not submit the above described data collection form and the reporting package for 1999 and 1998, within nine and thirteen months after the end of the audit periods, respectively. This occurred due to the condition of the City's financial records described in Finding Number 1999-21150-001.

We recommend the City comply with the requirements set forth in OMB Circular A-133, Subpart C, Section 320.

**CITY OF CAMPBELL
MAHONING COUNTY
DECEMBER 31, 1999 AND 1998**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1997-21150-001	Ohio Administrative Code § 117-6-01, City did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America		Not Corrected
1997-21150-002	Ohio Revised Code § 5705.41 D, failure to encumber funds		Not Corrected
1997-21150-003	Failure to supply supporting documentation		Not Corrected
1997-21150-004	Utility Department adjustments did not contain adequate supporting documentation		Not Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
OCTOBER 9, 2001**