



**Auditor of State
Betty Montgomery**

CITY OF CAMPBELL
MAHONING COUNTY

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**Auditor of State
Betty Montgomery**

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 City of Campbell, Mahoning County, (the City) as of and for the years ended December 31, 2001 and 2000. 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 117-2-03 (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 have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes 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 the City of Campbell, Mahoning County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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, City Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 12, 2003

**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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,727,749	\$235,425		\$1,963,174
Intergovernmental Receipts	446,456	470,014	\$14,507	930,977
Charges for Services	76,561	8,570		85,131
Fines, Licenses, and Permits	259,095	76,739		335,834
Miscellaneous	32,254	1,314	8,325	41,893
	<u>2,542,115</u>	<u>792,062</u>	<u>22,832</u>	<u>3,357,009</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	1,682,554	18,846		1,701,400
Public Health Services	78,864	8,734		87,598
Leisure Time Activities		142,839	7,473	150,312
Community Environment		167,499		167,499
Transportation		401,243		401,243
General Government	1,053,568	30,936	7,819	1,092,323
Debt Service:				
Principal Payments	43,622	55,854		99,476
Interest Payments	42,494	17,712		60,206
Capital Outlay			118,909	118,909
	<u>2,901,102</u>	<u>843,663</u>	<u>134,201</u>	<u>3,878,966</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(358,987)</u>	<u>(51,601)</u>	<u>(111,369)</u>	<u>(521,957)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		15,000		15,000
Other Financing Receipts	358,884	10,540	76,693	446,117
Transfers-Out		(15,000)		(15,000)
Other Financing Disbursements	(5,727)	(16,530)		(22,257)
	<u>353,157</u>	<u>(5,990)</u>	<u>76,693</u>	<u>423,860</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,830)	(57,591)	(34,676)	(98,097)
Fund Cash Balances, January 1	(59,008)	229,108	15,709	185,809
Fund Cash Balances, December 31	<u><u>(\$64,838)</u></u>	<u><u>\$171,517</u></u>	<u><u>(\$18,967)</u></u>	<u><u>\$87,712</u></u>
Reserves for Encumbrances, December 31	<u><u>\$3,917</u></u>	<u><u>\$497</u></u>		<u><u>\$4,414</u></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, 2001**

	<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	\$1,291,982	\$600	\$1,292,582
Miscellaneous	41,320	20,000	61,320
Total Operating Cash Receipts	<u>1,333,302</u>	<u>20,600</u>	<u>1,353,902</u>
Operating Cash Disbursements:			
Personal Services	559,308		559,308
Contractual Services	286,546	74,452	360,998
Supplies and Materials	216,533		216,533
Miscellaneous		26,200	26,200
Total Operating Cash Disbursements	<u>1,062,387</u>	<u>100,652</u>	<u>1,163,039</u>
Operating Income/(Loss)	<u>270,915</u>	<u>(80,052)</u>	<u>190,863</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		10,935	10,935
Other Non-Operating Receipts		1,608,300	1,608,300
Total Non-Operating Cash Receipts	<u>0</u>	<u>1,619,235</u>	<u>1,619,235</u>
Non-Operating Cash Disbursements:			
Debt Service	318,041		318,041
Other Non-Operating Cash Disbursements	303,287	1,476,918	1,780,205
Total Non-Operating Cash Disbursements	<u>621,328</u>	<u>1,476,918</u>	<u>2,098,246</u>
Net Receipts Over/(Under) Disbursements	(350,413)	62,265	(288,148)
Fund Cash Balances, January 1	<u>412,868</u>	<u>278,539</u>	<u>691,407</u>
Fund Cash Balances, December 31	<u>\$62,455</u>	<u>\$340,804</u>	<u>\$403,259</u>
Reserve for Encumbrances, December 31	<u>\$9,616</u>		<u>\$9,616</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, 2000**

	<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	\$1,667,763	\$227,589		\$1,895,352
Intergovernmental Receipts	519,135	428,626	\$274,754	1,222,515
Charges for Services	71,974	3,305		75,279
Fines, Licenses, and Permits	261,445	76,210		337,655
Miscellaneous	66,135	3,959	21,975	92,069
Total Cash Receipts	<u>2,586,452</u>	<u>739,689</u>	<u>296,729</u>	<u>3,622,870</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,550,621	15,246		1,565,867
Public Health Services	80,807	1,624		82,431
Leisure Time Activities		151,642	14,808	166,450
Community Environment		185,298		185,298
Transportation		291,872		291,872
General Government	987,841	66,932		1,054,773
Debt Service:				
Principal Payments	40,874	53,832		94,706
Interest Payments	43,397	18,215		61,612
Capital Outlay			1,968,531	1,968,531
Total Cash Disbursements	<u>2,703,540</u>	<u>784,661</u>	<u>1,983,339</u>	<u>5,471,540</u>
Total Receipts Over/(Under) Disbursements	<u>(117,088)</u>	<u>(44,972)</u>	<u>(1,686,610)</u>	<u>(1,848,670)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	14,200	72,720		86,920
Other Financing Receipts	169,917	15,426	1,693,777	1,879,120
Transfers-Out	(72,720)	(14,200)		(86,920)
Advances-Out	(80,000)			(80,000)
Other Financing Disbursements		(12,869)		(12,869)
Total Other Financing Receipts/(Disbursements)	<u>31,397</u>	<u>61,077</u>	<u>1,693,777</u>	<u>1,786,251</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(85,691)</u>	<u>16,105</u>	<u>7,167</u>	<u>(62,419)</u>
Fund Cash Balances, January 1	<u>26,683</u>	<u>213,003</u>	<u>8,542</u>	<u>248,228</u>
Fund Cash Balances, December 31	<u>(\$59,008)</u>	<u>\$229,108</u>	<u>\$15,709</u>	<u>\$185,809</u>
Reserves for Encumbrances, December 31	<u>\$3,917</u>	<u>\$5,371</u>		<u>\$9,288</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, 2000**

	<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	\$1,399,228		\$1,399,228
Miscellaneous	10,587	\$37,493	48,080
Total Operating Cash Receipts	<u>1,409,815</u>	<u>37,493</u>	<u>1,447,308</u>
Operating Cash Disbursements:			
Personal Services	535,488		535,488
Travel Transportation	1,283		1,283
Contractual Services	250,041	69,727	319,768
Supplies and Materials	179,118		179,118
Capital Outlay	13,340	52,556	65,896
Miscellaneous	36,649	61,917	98,566
Total Operating Cash Disbursements	<u>1,015,919</u>	<u>184,200</u>	<u>1,200,119</u>
Operating Income/(Loss)	<u>393,896</u>	<u>(146,707)</u>	<u>247,189</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		2,042	2,042
Intergovernmental Receipts		8,445	8,445
Other Non-Operating Receipts	2,717	1,503,469	1,506,186
Total Non-Operating Cash Receipts	<u>2,717</u>	<u>1,513,956</u>	<u>1,516,673</u>
Non-Operating Cash Disbursements:			
Debt Service	673,332		673,332
Other Non-Operating Cash Disbursements	149,070	1,121,833	1,270,903
Total Non-Operating Cash Disbursements	<u>822,402</u>	<u>1,121,833</u>	<u>1,944,235</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(425,789)	245,416	(180,373)
Advances-In	80,000		80,000
Net Receipts Over/(Under) Disbursements	(345,789)	245,416	(100,373)
Fund Cash Balances, January 1	<u>758,657</u>	<u>33,123</u>	<u>791,780</u>
Fund Cash Balances, December 31	<u>\$412,868</u>	<u>\$278,539</u>	<u>\$691,407</u>
Reserve for Encumbrances, December 31	<u>\$24,817</u>		<u>\$24,817</u>

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

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000**

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 service.

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 the Ohio Administrative Code Section 117-2-03 (B) 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 and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. 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, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Investments

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.

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

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 Fund

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.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City had the following significant Special Revenue Funds:

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 improvements.

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

Water Capital Improvement Fund - This fund receives utility surcharges for the retirement of Ohio Water Development Authority loans and Ohio Public Works Commission loans which were obtained for various water improvements, and for various water system capital 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
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Mahoning County Sewer Collection Fund – This fund collects charges for sewer services provided by Mahoning County, and remits a percentage of the moneys collected to the County for services and pays the City for billing and administrative services.

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 and Mahoning County Sewer Collection funds 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. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 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. Accumulated Leave

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

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(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:

	2001	2000
Demand deposits	(\$129,326)	\$45,146
Total deposits	(129,326)	45,146
Repurchase agreements:		
Metropolitan National Bank	597,809	121,000
National City Bank	1,000	698,593
Armada Treasury Money Market	21,488	12,477
Total investments	620,297	832,070
Total deposits and investments	\$490,971	\$877,216

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

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,034,024	\$2,900,999	(\$133,025)
Special Revenue	1,393,193	817,602	(575,591)
Capital Projects	137,833	99,525	(38,308)
Enterprise	1,361,476	1,333,302	(28,174)
Agency	139,584	31,535	(108,049)
Total	\$6,066,110	\$5,182,963	(\$883,147)

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,024,500	\$2,910,746	\$113,754
Special Revenue	1,621,776	875,690	746,086
Capital Projects	153,550	134,201	19,349
Enterprise	1,582,420	1,693,331	(110,911)
Agency	160,000	26,200	133,800
Total	<u>\$6,542,246</u>	<u>\$5,640,168</u>	<u>\$902,078</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,718,961	\$2,770,569	\$51,608
Special Revenue	1,345,857	827,835	(518,022)
Capital Projects	2,849,971	1,990,506	(859,465)
Enterprise	3,082,010	1,412,532	(1,669,478)
Agency	32,750	64,661	31,911
Total	<u>\$10,029,549</u>	<u>\$7,066,103</u>	<u>(\$2,963,446)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,039,326	\$2,780,177	\$259,149
Special Revenue	1,517,355	817,101	700,254
Capital Projects	1,950,550	1,983,339	(32,789)
Enterprise	1,831,610	1,863,138	(31,528)
Agency	150,000	63,959	86,041
Total	<u>\$8,488,841</u>	<u>\$7,507,714</u>	<u>\$981,127</u>

Contrary to Ohio law, certified receipts were in excess of actual receipts while current appropriations exceeded the total actual receipts in the Street, Construction, Maintenance and Repair fund for the period ending December 31, 2000. Also contrary to Ohio law, appropriations exceeded estimated resources in the General Fund for the period ending December 31, 2000. In addition, disbursements and encumbrances exceed appropriations and prior year carryover encumbrances in the State Issue II fund for the period ending December 31, 2001 contrary to Ohio law. Moreover, contrary to Ohio law, prior certification was not presented for several expenditures. Furthermore, contrary to Ohio law, at December 31, 2000, the General fund had a cash deficit balance of \$59,008, and at December 31, 2001, the General fund, Street, Construction Maintenance and Repair fund, and State Issue II fund had deficit cash fund balances of \$64,838, \$67,079 and \$26,986, respectively.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

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 payments, 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. 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 \$1,506,167 and \$1,455,723 for the years ended December 31, 2001 and 2000, respectively.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,161,254	4.56%
Ohio Public Works Commission Loans	961,112	0.00%
Ohio Police & Fire Pension Fund Obligation	630,310	4.25%
Street Paving Project Loan	262,855	5.33%
Fire Truck Lease/Purchase Agreement	176,028	5.99%
Water Meter Replacement Lease/Purchase Agreement	135,969	5.75%
Telephone System Replacement Lease/Purchase Agreement	21,208	7.54%
Dump Truck Lease/Purchase Agreement	11,997	7.80%
Police Car Lease/Purchase Agreement	7,109	6.85%
Total	<u>\$4,367,842</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water treatment system upgrade that was mandated by the Ohio Environmental Protection Agency. The OWDA had approved up to \$2,251,208 to the City for this project. The City has borrowed the full amount authorized and the scheduled payment amount below reflects this. The loan will be repaid in semiannual installments of \$84,241, including interest, over 25 years. The loan is collateralized by water receipts. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The City has two Ohio Public Works Commission (OPWC) loans that relate to water system 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 20 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 City incurred the Ohio Police and Fire Pension Fund obligation (OP&F) in 1968 to pay the State of Ohio's Police and Fire Pension Fund System the difference between the accumulated assets maintained in the City's pension fund for its Police and Firemen and the under provided actuarial pension liability at the time the City joined the System. This liability is a general obligation of the City.

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.

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT – (Continued)

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 five years, with an option to buy in the second through fifth year by paying the remaining balance.

The Telephone System Replacement Lease/Purchase Agreement was entered into to acquire a telephone system totaling \$30,654. The City will pay monthly payments of \$615, including interest for a period of five years, with an option to buy in the third through fifth year by paying the remaining balance.

The Dump Truck Lease/Purchase Agreement was entered into to acquire a dump truck with an initial equipment cost of \$34,238. The City will pay annual lease payments of \$12,932, including interest for a period of three years, with an option to purchase the dump truck at the end of the term for a dollar.

The Police Car Lease/Purchase Agreement was entered into to acquire a vehicle with an initial equipment cost of \$20,650. The City will pay semiannual lease payments of \$3,738, including interest for a period of three years, with an option to purchase the police car at the end of the term for a dollar.

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

	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>OP&F</u>	<u>Street Paving Project Loan</u>		
Year ending December 31:						
2002	\$168,482	\$74,170	\$35,476	\$60,634		
2003	168,482	74,170	35,476	60,634		
2004	168,482	74,170	35,476	60,634		
2005	168,482	74,170	35,476	60,634		
2006	168,482	74,170	35,476	59,842		
Subsequent	3,032,671	590,261	902,919			
Total	<u>\$3,875,081</u>	<u>\$961,111</u>	<u>\$1,080,299</u>	<u>\$302,378</u>		
		Water Meter	Telephone			
	Fire Truck	Replacement	System	Dump Truck	Police Car	
	Lease /	Lease /	Replacement	Lease /	Lease /	
	Purchase	Purchase	Purchase	Purchase	Purchase	
	Agreement	Agreement	Agreement	Agreement	Agreement	
Year ending December 31:						
2002	\$35,786	\$95,911	\$7,378	\$12,932	\$7,476	
2003	35,786	47,956	7,378			
2004	35,786		7,378			
2005	35,786		1,841			
2006	35,786					
Subsequent	35,788					
Total	<u>\$214,718</u>	<u>\$143,867</u>	<u>\$23,975</u>	<u>\$12,932</u>	<u>\$7,476</u>	

**CITY OF CAMPBELL
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

The City's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. In addition, the City contributes an additional 4.5% of full time employees' gross salaries. The City has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The City has obtained commercial insurance for the following risks:

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

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 accompanying financial statements of the City of Campbell, Mahoning County, (the City) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 12, 2003, which noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). 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 and contracts, 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 Standard* which are described in the accompanying schedule of findings as items 2001-21150-002, 2001-21150-003, 2001-21150-004, 2001-21150-005, 2001-21150-006 and 2001-21150-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated February 12, 2003.

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 2001-21150-001, 2001-21150-008 and 2001-21150-009.

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 2001-21150-001 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 February 12, 2003.

This report is intended solely for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 12, 2003

**CITY OF CAMPBELL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

Material Weakness

FINDING NUMBER 2001-21150-001

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

- Monthly cash reconciliations included incorrect fund and depository balances, and various reconciling items, including deposits in transit, outstanding checks, cash on hand and other reconciling items that were incorrect or not supported;
- The City's Receipts and Appropriations Ledgers did not agree to their Annual Financial Reports in several funds/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;
- Beginning cash fund balances did not agree to the prior year's ending cash fund balance.

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, 2000 and 2001, of \$740 and (\$5,727), 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.

Noncompliance Citations

FINDING NUMBER 2001-21150-002

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 standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. 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 that the City prepare their financial statements in accordance with accounting principles generally accepted in the United States of America.

FINDING NUMBER 2001-21150-003

Ohio Revised Code § 5705.10 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, 2000, the City had a deficit fund cash balance of \$59,008 in the General fund. Also, as of December 31, 2001, the City had deficit fund cash balances in the General fund of \$64,838, the Street, Construction, Maintenance & Repair fund of \$67,079, the Area on Aging fund of \$6,255 and the State Issue II fund of \$26,986.

In addition, the Escrow fund had cash fund balances of \$2,157 and \$7,492 as of December 31, 2000 and 2001, respectively; however, the fund had obligations that if satisfied would have created deficit cash fund balances of (\$3,529) and (\$9,129), respectively.

This situation could indicate financial instability and/or insufficient monitoring of budgetary controls.

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

FINDING NUMBER 2001-21150-004

Ohio Revised Code § 5705.36 provides in part that upon determination by the fiscal officer of a taxing district that the revenue to be collected by the district will be less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency. The intent of this statutory requirement is to require a taxing district to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a "reduction" certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will incur.

The City's certified receipts were in excess of actual receipts by \$124,661, while the current appropriations exceeded the total actual receipts by \$124,661 in the Street Construction, Maintenance and Repair fund for the year 2001. Furthermore, the City had a deficit fund balance in the aforementioned fund at December 31, 2001 of \$67,079.

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 2001-21150-005

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.

Appropriations exceeded estimated resources in the General fund by \$316,365 for the year 2000. This situation lead to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2000 of \$59,008.

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.

FINDING NUMBER 2001-21150-006

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 by \$26,978 in the State Issue II fund for the year ended 2001. Furthermore, the City had a deficit fund balance in the aforementioned fund at December 31, 2001 of \$26,986.

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 2001-21150-007

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.

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, if such expenditure is otherwise valid.

The obligation date preceded the purchase order date in ninety-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. 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).

Reportable Conditions

FINDING NUMBER 2001-21150-008

The City assessed the following funds administrative charges that were paid to the General Fund during fiscal years 2000 and 2001:

<u>Fund/Year</u>	<u>Amount</u>	<u>Fund/Year</u>	<u>Amount</u>
Water Fund (2000)	\$101,440	Water Fund (2001)	\$98,500
Sewer Fund (2000)	47,630	Park Fund (2001)	10,000
Park Fund (2000)	11,280	Street Fund (2001)	5,000
		Sewer Fund (2001)	2,250

City Resolution 2000-9284, provides in part, that Administrative Costs incurred by the General Fund shall be allocated among all major City Funds in the following manner for fiscal year 2000:

<u>Fund</u>	<u>Allocation Formula Percentage</u>
General Fund	54%
Water Fund	27%
Sewer Fund	9%
Street Fund	7%
Park Fund	3%

However, this resolution does not specifically address which expenditures i.e., salary, hospitalization, retirement, supplies, equipment, etc, are utilized to calculate administrative costs. Moreover, the aforementioned Resolution repealed the City's prior Resolution pertaining to Administrative Charges, and only addresses fiscal year 2000; therefore, the City did not have a formal directive on the Administrative Charges allocated for fiscal year 2001. In addition, the City did not provide supporting documentation on the computation of the Administrative Charges for fiscal 2001, and we were unable to verify the figures of the supporting documentation received for fiscal year 2000, and not all funds were assessed as indicated in the aforementioned Resolution. Furthermore, the City could not 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 and the allocation thereof.

FINDING NUMBER 2001-21150-009

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.

**CITY OF CAMPBELL
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-21150-001	Financial reporting system material weakness		Not Corrected. This was reissued as Finding No. 2001-21150-001
1999-21150-002	Utility department adjustments did not contain adequate supporting documentation	Fully Corrected	
1999-21150-003	Administrative charges did not contain adequate supporting documentation		Not Corrected. This was reissued as Finding No. 2001-21150-008
1999-21150-004	No presence of an audit committee		Not Corrected. This was reissued as Finding No. 2001-21150-009
1999-21150-005	Ohio Revised Code § 117.38, failure to file Annual Report on time	Fully Corrected	
1999-21150-006	Ohio Administrative Code Rule 117-6-01, City did not prepare its annual report in accordance with accounting principles generally accepted in the United States of America		Not Corrected. This was reissued as Finding No. 2001-21150-002
1999-21150-007	Ohio Revised Code § 5705.41B, disbursements and encumbrances exceeded appropriations and carryover encumbrances		Not Corrected. This was reissued as Finding No. 2001-21150-006
1999-21150-008	Ohio Revised Code § 5705.41D, failure to certify funds		Not Corrected. This was reissued as Finding No. 2001-21150-007
1999-21150-009	Ohio Revised Code § 149.43, failure to properly furnish documents		Not Corrected. We reported this Finding in the Management Letter.

City of Campbell
 Mahoning County
 Schedule of Prior Audit Findings
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-21150-010	State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, § (A) (3) (f), failure to disburse federal monies within allotted period	Fully Corrected	



**Auditor of State
Betty Montgomery**

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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
APRIL 1, 2003**