



**Auditor of State
Betty Montgomery**

**City of Campbell, Ohio
Mahoning County**

**Fiscal Emergency Analysis
As of December 31, 2003 and February 29, 2004**

Local Government Services Section

City of Campbell, Mahoning County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal emergency analysis of the City of Campbell pursuant to Section 118.03, Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the City of Campbell as defined in Section 118.03(A)(5) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with John Leskovyansky, Finance Director; John Dill, Mayor of the City of Campbell; Robert Yankle, President of Council; Joseph T. Deters, Treasurer of State; Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson; Director of the Office of Budget and Management and the Mahoning County Budget Commission.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 10, 2004

City of Campbell, Mahoning County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, Mayor John E. Dill requested that the Office of the Auditor of State perform a fiscal analysis of the City of Campbell, Mahoning County (the City) to determine if the financial condition of the City justifies the declaration of a fiscal watch or emergency.

The Local Government Services (LGS) section of the Auditor of State's Office began the fiscal analysis for the City on September 9, 2003, only to learn that the City had not reconciled its bank accounts with the City's financial records for 2002 and 2003. LGS was engaged to reconcile the financial records with the bank accounts, identify transactions that had not been posted, and determine fund balances. Upon completion of the reconciliation for 2002, the fiscal watch analysis was concluded. The City was declared to be in fiscal watch on March 8, 2004, with the understanding that a second analysis would be conducted once the records were reconciled through December 31, 2003. The 2003 reconciliation is finished and this analysis has been performed to determine if the City's financial condition has deteriorated to the point that a fiscal emergency should be declared.

A city is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency when the city's treasury balance is compared to the positive cash balances of the city's funds. The year-end conditions described under Conditions 4, 5, and 6, of this report must exist both at year-end and at the time of the analysis to justify the declaration of an emergency.

This report identifies the procedures performed and the conclusions reached with respect to each condition.

Condition 1 – Default on Any Debt Obligation

Section 118.03 (A)(1), Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

We reviewed the outstanding indebtedness of the City as of February 29, 2004, which consisted of the following:

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<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 days Past Due at February 29, 2004</u>
<u>Notes Payable</u>				
1999 Street Paving	4.00% - 5.500%	April 1, 2003	\$30,317	\$0
		November 1, 2003	29,522	0
Safety Forces	4.00%	March 1, 2004	36,664	0
<u>Ohio Public Works Commission</u>				
Liberty Sewer Water Storage	0.00%	July 1, 2003	20,242	0
Water System Improvement	0.00%	July 1, 2003	16,843	0
<u>Ohio Water Development Authority</u>				
Waste Water Treatment Plant	0.00%	July 1, 2003	84,241	0

We reviewed the accounting records, bank statements and wire transfer documents to determine if there was any indication that the City was in default on any debt obligations.

The City has reached an agreement with the Ohio Public Works Commission to defer the debt payments for 2004 and 2005 until January 1, 2006. This will extend the final due date of each loan by two years, but will not affect the interest rate or payment amount. There is also a pending agreement with the Ohio Water Development Authority to defer the debt payments for 2004 until January 1, 2005. This will extend the final due date of this loan. The affect on the interest rate and payment amount is still unknown.

Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Ohio Revised Code. No default on any debt obligation for more than thirty days existed at February 29, 2004.

Condition 2 – Payment of All Payrolls

Section 118.03 (A)(2), Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of February 29, 2004. We reviewed the Council minutes, ordinances, resolutions and other personnel records to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports and interviewed various employees to see if payroll checks were issued on the pay date. These

City of Campbell, Mahoning County

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procedures were performed to ascertain whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of February 29, 2004. The City has not paid employees at the times required by City Ordinance, but no payment has been extended beyond 30 days.

Condition 3 – Increase in Minimum Levy

Section 118.03 (A)(3), Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, township for the 2003 or 2004 fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Mahoning County Auditor whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the City of Campbell for 2003 or 2004, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Mahoning County Budget Commission indicated that the commission had not taken any action to increase the inside millage of the City of Campbell for 2003 or 2004.

Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Mahoning County Budget Commission has not taken any action to increase millage of the City of Campbell by reducing another subdivision's millage.

Condition 4 – Past Due Accounts Payable from the General Fund and All Funds

Section 118.03 (A)(4), Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that had either been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

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We prepared a schedule of accounts payable as of December 31, 2003, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2003, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

Accounts Payable from the General Fund Over 30 Days Past Due

Ohio Revised Code Section 118.03(A)(4)

As of December 31, 2003

	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of General Fund Budget	Accounts Payable in Excess of General Fund Budget
General Fund	\$91,243	\$0	\$91,243	\$510,133	\$0

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2003. From this amount we subtracted the year end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2003, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable from the General Fund Over 30 Days Past Due

Ohio Revised Code Section 118.03(A)(4)

As of December 31, 2003

	Payables Over 30 Days Past Due	Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of Available Revenues	Accounts Payable in Excess of Available Revenue
General Fund	\$91,243	\$0	\$91,243	\$442,192	\$0
Park	260	140,844	0	30,855	0
Aging	1,327	0	1,327	2,155	0
Street	5,017	0	5,017	44,847	0
State Highway	4,982	0	4,982	3,633	0
Park Improvement	279	3,643	0	275	0
Water Fund	50,601	0	50,601	200,743	0
Totals	\$153,709	\$144,487	\$153,170	\$724,700	\$0

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Fiscal Emergency Analysis

Conclusion

Schedules I and II indicate that as of December 31, 2003, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the general fund which were at least thirty days past-due at the end of the year did not exceed the available balance in the general fund plus one-sixth of the general fund budget, nor did all accounts payable which were at least thirty days past due exceed the available balance in the general fund and the respective special funds, plus one-sixth of the available revenues for 2003.

Condition 5 - Deficit Fund Balances

Section 118.03(A)(5), Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2003, by subtracting all accounts payable and encumbrances from the year-end cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
At of December 31, 2003

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Funds With Deficit Balances	Less One-Sixth General Fund Budget/Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$536,361)	\$233,968	(\$770,329)	\$510,133	(\$260,196)
State Issue 2	(31,986)	0	(31,986)	0	(31,986)
Aging	(22,538)	2,307	(24,845)	2,154	(22,691)
Street	(182,654)	13,177	(195,831)	44,847	(150,984)
State Highway	(40,328)	16,156	(56,484)	3,633	(52,851)
Community Development	0	3,062	(3,062)	4,122	0
Land Revitalization	(92)	0	(92)	10,900	0
Water	(142,676)	134,854	(277,530)	200,743	(76,787)
Court Legal Research	(3,226)	453	(3,679)	1,046	(2,633)
Totals	(\$959,861)	\$403,977	(\$1,363,838)	\$777,578	(598,128)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit					<u>(\$598,128)</u>

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The year-end condition described above shall not constitute a fiscal emergency condition if the condition no longer exists at the time of the determination. The information necessary to perform the analysis as of February 29, 2004, the date of determination, was not available.

Conclusion

Schedule III indicates that a fiscal emergency condition does exist under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 2003. The total unprovided portion of aggregate deficit funds as of December 31, 2003 is \$598,128.

Condition 6 - Treasury Balances

Section 118.03 (A)(5), Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balances to its fund cash balances as of December 31, 2003. From the treasury balance, we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2003, to determine if a treasury deficiency exists.

Schedule IV

Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2003

	<u>Amounts at December 31, 2003</u>
Bank Cash Balances	
First National Bank	\$0
First National Bank	103,493
First National Bank	1,388
Sky Bank	56
National City Bank	502
National City Bank	33,641
Total Bank Cash Balances	<u>139,080</u>
Less: Adjustments for	
Outstanding Checks	(203,569)
Other	964
Total Adjustments	<u>(202,605)</u>
Total Treasury Balance	<u>(\$63,525)</u>

City of Campbell, Mahoning County

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Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2003
(Continued)

	Amounts at <u>December 31, 2003</u>
<u>Positive Cash Fund Balances:</u>	
Park	\$58,704
Law Enforcement Trust	9,277
Permissive Tax	16,667
Community Development	19,788
CDBG	5,688
Capital Improvement	57,477
Parks Improvement	6,302
Sales Tax Development	24,900
Infrastructure/Equipment	44,244
Sewage	5,815
Escrow	359
Water Trust	394
Revolving Loan	33,641
CRT	2,405
LETF II	9,214
County Sewer Collection	300,414
Court Computer	37,067
Court Legal Research	2,855
Indigent Driver	13,584
Court	<u>78,871</u>
Total Positive Fund Balances	<u>727,666</u>
Treasury Balances Less Positive Fund Balances	(791,191)
One-sixth Treasury Receipts	<u>1,035,016</u>
Excess of Treasury Receipts over Positive Fund Balances and Treasury Balance	<u><u>\$243,825</u></u>

Conclusion

Schedule IV indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2003. The treasury balance less the positive fund balances did not exceed one-sixth of the treasury receipts at December 31, 2003.

City of Campbell, Mahoning County

Fiscal Emergency Analysis

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency does exist at the City of Campbell as defined in Section 118.03(A)(5) of the Ohio Revised Code and presented under Condition 5.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.



**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
JUNE 10, 2004**