

CITY OF CAMPBELL
MAHONING COUNTY, OHIO
AUDIT REPORT
For the Year Ended December 31, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Campbell, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Campbell is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 8, 2013

This page intentionally left blank.

**CITY OF CAMPBELL
MAHONING COUNTY
AUDIT REPORT
For the Year Ending December 31, 2012**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non - GAAP) and Actual	
General Fund.....	20
FEMA Fund.....	21
Statement of Net Position - Proprietary Funds.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds.....	24
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	25
Notes to the Basic Financial Statements.....	26
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures.....	52
Independent Auditors' Report on Internal Control Over Financial Report and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	55
Schedule of Findings.....	58
Schedule of Prior Audit Findings.....	60

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' Government Auditing Standards. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Federal Emergency Management Agency funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

As described in Note 3, the City changed its basis of accounting from a cash basis to accounting principles generally accepted in the United States of America. In addition, as discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
August 29, 2013

This page intentionally left blank

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of the City of Campbell's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2012 are as follows:

- The City of Campbell utilized the services of the Regional Income Tax Agency (R.I.T.A.) during 2012. R.I.T.A. administers and collects the City's income taxes as of January 1, 2005. As a result, income tax collections for the City's general fund are remaining consistent with the prior year; due in part to accelerated collections of delinquencies, collecting from prior non-filers, and enforcing payment of quarterly estimated taxes by individuals.
- Total governmental capital assets increased due to the purchase of several vehicles and construction in progress during the year which was offset by an additional year of depreciation. The City purchased two new police cruisers, a new fire truck and two new dump trucks for the street department. The business-type activities capital assets decreased due to an additional year of depreciation expense during the year.
- Major Grants: The major grants received by the City are CDBG, CHIP and Small Cities Formula Allocation Grants.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting on the City of Campbell as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question.

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

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

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

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

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting on the Most Significant Funds of the City of Campbell

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

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

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

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

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

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

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds.

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

The City of Campbell as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2012 as they compare to 2011.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$5,563,862	\$5,650,737	\$1,147,799	\$961,479	6,711,661	\$6,612,216
Capital Assets, Net	2,813,793	1,606,838	5,261,298	5,468,881	8,075,091	7,075,719
<i>Total Assets</i>	8,377,655	7,257,575	6,409,097	6,430,360	14,786,752	13,687,935
Liabilities						
Current Liabilities	924,220	324,381	86,714	124,800	1,010,934	449,181
Long-term Liabilities						
Due within one Year	60,436	175,168	158,369	153,969	218,805	329,137
Due in More than one Year	726,552	741,527	1,814,349	1,964,987	2,540,901	2,706,514
<i>Total Liabilities</i>	1,711,208	1,241,076	2,059,432	2,243,756	3,770,640	3,484,832
Deferred Inflows of Resources						
Property Taxes	656,607	486,437	0	0	656,607	486,437
Net Position						
Net Investment in Capital Assets	2,813,793	1,606,838	3,333,427	3,392,754	6,147,220	4,999,592
Restricted for:						
Capital Projects	68,564	33,634	0	0	68,564	33,634
Safety Forces	157,766	876,201	0	0	157,766	876,201
Streets	468,101	485,876	0	0	468,101	485,876
Parks	235,499	532,277	0	0	235,499	532,277
Other Purposes	643,425	786,090	0	0	643,425	786,090
Unrestricted	1,622,692	1,209,146	1,016,238	793,850	2,638,930	2,002,996
<i>Total Net Position</i>	\$6,009,840	\$5,530,062	\$4,349,665	\$4,186,604	\$10,359,505	\$9,716,666

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has improved over the prior year as evidenced by the increase in net position for governmental and business-type activities. The increase in governmental capital assets can be attributed to the purchase of a new fire truck along with several police cruisers and service vehicles. The increase in governmental current liabilities is due to the City recording unearned revenue during 2012. The revenue is a payment for the oil and gas lease and will be earned by the City over the 5 years of the lease agreement. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for fiscal year 2012. Since this is the first year the City has prepared financial statements following GASB 34, revenue and expense comparisons to fiscal year 2011 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(Table 2)
Changes in Net Position

	Governmental Activities 2012	Business-Type Activities 2012	Totals 2012
Program Revenues			
Charges for Services and Assessments	\$743,072	\$1,920,704	\$2,663,776
Operating Grants and Contributions	726,267	0	726,267
Capital Grants and Contributions	622,273	0	622,273
<i>Total Program Revenues</i>	<u>2,091,612</u>	<u>1,920,704</u>	<u>4,012,316</u>
General Revenues			
Property Taxes	507,903	0	507,903
Municipal Income Tax	1,976,674	0	1,976,674
Grants and Entitlements not Restricted to Specific Programs	279,278	0	279,278
Interest	3,585	0	3,585
Other	204,467	0	204,467
<i>Total General Revenues</i>	<u>2,971,907</u>	<u>0</u>	<u>2,971,907</u>
<i>Total Revenues</i>	<u>5,063,519</u>	<u>1,920,704</u>	<u>6,984,223</u>
Program Expenses			
General Government	1,230,095	0	1,230,095
Security of Persons and Property:			
Police	1,206,381	0	1,206,381
Fire	627,188	0	627,188
Transportation	541,269	0	541,269
Community Development	448,143	0	448,143
Leisure Time Activities	502,938	0	502,938
Interest and Fiscal Charges	27,727	0	27,727
Water	0	1,627,214	1,627,214
Storm Water Management	0	130,429	130,429
<i>Total Program Expenses</i>	<u>4,583,741</u>	<u>1,757,643</u>	<u>6,341,384</u>
<i>Change in Net Position</i>	479,778	163,061	642,839
Net Position Beginning of Year	5,530,062	4,186,604	9,716,666
Net Position End of the Year	<u>\$6,009,840</u>	<u>\$4,349,665</u>	<u>\$10,359,505</u>

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. There was an increase in income tax collections in 2012, mainly due to the recovering economy. The City's income tax rate is currently 2.5 percent. Residents of the City who work in another community receive a 100 percent credit on income earned outside the City and paid to another municipality.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The City monitors its source of revenues very closely for fluctuations. Local government funding has slowly been reduced for the past several years and is anticipated to be stagnant in the future. This is a direct result of the planned State budget reduction. Investment earnings and miscellaneous receipts are insignificant and are somewhat unpredictable revenue sources. Other revenue included the first year of recognition of a portion of the oil and gas lease payment the City recorded as a receivable at year end. The oil and gas lease covers a five year period so the City will recognize a portion of the payment over the five years as it is earned.

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

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

Security of persons and property are the costs of police and fire protection; leisure time activities are the costs of maintaining the parks and playing fields; community environment represents expenditures for private residential rehab and other activities through the CHIP program, and other activities which include road paving under the Small Cities Formula Allocation Program, both of which are funded with Federal Community Development Block Grants. Transportation is the cost of maintaining the roads.

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

Business-Type Activities

The City operates two business-type activities, the water treatment and storm water management. These two activities generated operating revenues of \$1,775,180 from water and \$145,524 from storm water management. The largest sources of revenue for both water and storm water in 2012 were charges for services. Water and storm water management expenses for 2012 amounted to \$1,542,250 and \$130,429, respectively. Payroll and employees benefits are the largest expense for the water fund. Contractual services are the largest expense for the storm water management fund.

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting.

As of the end of 2012, the City of Campbell's governmental funds reported a positive combined ending fund balance. The City's major governmental funds are the general fund, FEMA special revenue fund and the infrastructure and equipment capital projects funds. Revenues exceeded expenditures for the year in the general fund due to an increase in the municipal income tax receivable as well as decreases in accounts and intergovernmental payables. The FEMA special revenue fund received a FEMA grant in 2011. These grant proceeds were spent in 2012 on the purchase of a new fire truck. The infrastructure and equipment capital projects fund had an increase in fund balance as revenues exceeded capital expenditures during the year.

Information about the proprietary funds starts on page 22. These funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$1,920,704 and total operating expenses of \$1,672,679. If expenses were to exceed revenue and dramatically affect net position, the City has the power to increase revenue through water rate increases.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2012, actual revenues for the general fund were less than final estimated revenues due to fewer fines, licenses and permits collections than actually expected. City Council's actual expenditures were more than final appropriations due to unexpected costs occurring near year end.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2012, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation increased. This increase can be contributed to several additions during the year which was offset by an additional year of accumulated depreciation being taken. The City purchased two new police cruisers, a new fire truck and two new dump trucks for the street department.

Total capital assets for the business-type activities, net of accumulated depreciation decreased due to an additional year of accumulated depreciation being taken. See Note 11 to the basic financial statements for additional information on capital assets.

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 3)
Capital Assets at December 31
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$755,800	\$755,800	\$34,280	\$34,280	\$790,080	\$790,080
Land Improvements	192,834	203,576	4,208	5,430	197,042	209,006
Buildings	257,131	271,056	1,004,593	1,051,845	1,261,724	1,322,901
Machinery and Equipment	120,873	139,972	225,848	279,684	346,721	419,656
Vehicles	964,236	236,434	14,369	17,642	978,605	254,076
Infrastructure	522,919	0	3,978,000	4,080,000	4,500,919	4,080,000
Total Capital Assets	<u>\$2,813,793</u>	<u>\$1,606,838</u>	<u>\$5,261,298</u>	<u>\$5,468,881</u>	<u>\$8,075,091</u>	<u>\$7,075,719</u>

Long-term Obligations

The long-term obligations include local government fund notes, police and fire pension payments, OPWC and OWDA loans and compensated absences.

(Table 4)
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Local Government Fund Notes	\$0	\$115,966	\$0	\$0	\$0	\$115,966
OWDA Loans	0	0	1,490,148	1,592,860	1,490,148	1,592,860
OPWC Loans	0	0	437,723	483,267	437,723	483,267
Police and Fire Pension Loan	510,069	523,439	0	0	510,069	523,439
Compensated Absences	276,919	277,290	44,847	42,829	321,766	320,119
Total	<u>\$786,988</u>	<u>\$916,695</u>	<u>\$1,972,718</u>	<u>\$2,118,956</u>	<u>\$2,759,706</u>	<u>\$3,035,651</u>

The local government fund notes were issued to pay long overdue accounts payable as well as outstanding unpaid Police and Fire and pension payments. For the business-type funds, the debt was issued for the water system improvements and a water storage tank replacement.

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

The City of Campbell's overall legal debt margin was \$8,256,860 on December 31, 2012. For more information about the City's long-term obligations, see Note 13 to the basic financial statements.

Current Financial Issues

The City voters passed a five year 3.5 mill current expense tax levy on November 2, 2010. This levy generates additional revenue to help the City with its current financial responsibilities.

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

City of Campbell
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

Contacting the City of Campbell's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Dr. Michael Evanson, Director of Finance, 351 Tenney Avenue, Campbell, Ohio 44405, telephone 330-755-9863.

Basic Financial Statements

City of Campbell, Ohio

Statement of Net Position

December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,309,389	\$1,060,885	\$3,370,274
Accounts Receivable	855,171	86,914	942,085
Intergovernmental Receivable	464,670	0	464,670
Property Taxes Receivable	864,935	0	864,935
Income Taxes Receivable	1,066,707	0	1,066,707
Materials and Supplies Inventory	2,990	0	2,990
Nondepreciable Capital Assets	755,800	34,280	790,080
Depreciable Capital Assets, Net	2,057,993	5,227,018	7,285,011
<i>Total Assets</i>	<u>8,377,655</u>	<u>6,409,097</u>	<u>14,786,752</u>
Liabilities			
Accounts Payable	2,423	1,114	3,537
Accrued Wages	56,977	17,556	74,533
Intergovernmental Payable	110,132	26,845	136,977
Accrued Interest Payable	1,807	41,199	43,006
Unearned Revenue	752,881	0	752,881
Long-Term Liabilities:			
Due Within One Year	60,436	158,369	218,805
Due In More Than One Year	726,552	1,814,349	2,540,901
<i>Total Liabilities</i>	<u>1,711,208</u>	<u>2,059,432</u>	<u>3,770,640</u>
Deferred Inflows of Resources			
Property Taxes	656,607	0	656,607
Net Position			
Net Investment in Capital Assets	2,813,793	3,333,427	6,147,220
Restricted for:			
Capital Projects	68,564	0	68,564
Safety Forces	157,766	0	157,766
Streets	468,101	0	468,101
Parks	235,499	0	235,499
Other Purposes	643,425	0	643,425
Unrestricted	1,622,692	1,016,238	2,638,930
<i>Total Net Position</i>	<u>\$6,009,840</u>	<u>\$4,349,665</u>	<u>\$10,359,505</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,230,095	\$339,030	\$0	\$0
Security of Persons and Property:				
Police	1,206,381	302,215	65,609	0
Fire	627,188	92,857	25,842	0
Transportation	541,269	0	401,006	621,773
Community Environment	448,143	0	232,890	500
Leisure Time Activities	502,938	8,970	920	0
Interest and Fiscal Charges	27,727	0	0	0
<i>Total Governmental Activities</i>	<u>4,583,741</u>	<u>743,072</u>	<u>726,267</u>	<u>622,273</u>
Business-Type Activities:				
Water	1,627,214	1,775,180	0	0
Storm Water Management	130,429	145,524	0	0
<i>Total Business-Type Activities</i>	<u>1,757,643</u>	<u>1,920,704</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$6,341,384</u></u>	<u><u>\$2,663,776</u></u>	<u><u>\$726,267</u></u>	<u><u>\$622,273</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Police

 Fire

Municipal Income Taxes Levied for:

 General Purposes

 Park

Grants and Entitlements not Restricted
to Specific Programs

Interest

Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$891,065)	\$0	(\$891,065)
(838,557)	0	(838,557)
(508,489)	0	(508,489)
481,510	0	481,510
(214,753)	0	(214,753)
(493,048)	0	(493,048)
(27,727)	0	(27,727)
<u>(2,492,129)</u>	<u>0</u>	<u>(2,492,129)</u>
0	147,966	147,966
0	15,095	15,095
<u>0</u>	<u>163,061</u>	<u>163,061</u>
<u>(2,492,129)</u>	<u>163,061</u>	<u>(2,329,068)</u>
316,695	0	316,695
95,604	0	95,604
95,604	0	95,604
1,793,365	0	1,793,365
183,309	0	183,309
279,278	0	279,278
3,585	0	3,585
204,467	0	204,467
<u>2,971,907</u>	<u>0</u>	<u>2,971,907</u>
479,778	163,061	642,839
<u>5,530,062</u>	<u>4,186,604</u>	<u>9,716,666</u>
<u>\$6,009,840</u>	<u>\$4,349,665</u>	<u>\$10,359,505</u>

City of Campbell, Ohio

Balance Sheet

Governmental Funds

December 31, 2012

	General	FEMA	Infrastructure and Equipment	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,100,079	\$437	\$90,941	\$1,104,434	\$2,295,891
Receivables:					
Property Taxes	446,003	0	0	418,932	864,935
Income Taxes	960,036	0	0	106,671	1,066,707
Accounts	37,894	0	796,539	20,738	855,171
Intergovernmental	142,028	0	0	322,642	464,670
Interfund Receivable	100,000	0	0	0	100,000
Materials and Supplies Inventory	0	0	0	2,990	2,990
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	13,498	0	0	0	13,498
Total Assets	\$2,799,538	\$437	\$887,480	\$1,976,407	\$5,663,862
Liabilities					
Accounts Payable	\$720	\$0	\$0	\$1,703	\$2,423
Accrued Wages	45,553	0	0	11,424	56,977
Intergovernmental Payable	95,903	0	0	14,229	110,132
Interfund Payable	0	0	97,000	3,000	100,000
Unearned Revenue	19,250	0	730,161	3,470	752,881
Total Liabilities	161,426	0	827,161	33,826	1,022,413
Deferred Inflows of Resources					
Property Taxes	314,993	0	0	341,614	656,607
Unavailable Revenue	1,110,167	0	0	373,905	1,484,072
Total Deferred Inflows of Resources	1,425,160	0	0	715,519	2,140,679
Fund Balances					
Nonspendable	13,498	0	0	2,990	16,488
Restricted	0	437	60,319	1,195,336	1,256,092
Committed	0	0	0	28,880	28,880
Assigned	107,912	0	0	0	107,912
Unassigned (Deficit)	1,091,542	0	0	(144)	1,091,398
Total Fund Balances (Deficit)	1,212,952	437	60,319	1,227,062	2,500,770
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,799,538	\$437	\$887,480	\$1,976,407	\$5,663,862

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2012*

Total Governmental Fund Balances	\$2,500,770
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,813,793
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	208,328
Income Taxes	972,841
Intergovernmental	<u>302,903</u>
Total	1,484,072
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,807)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Police and Fire Pension Loan	(510,069)
Compensated Absences	<u>(276,919)</u>
Total	<u>(786,988)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$6,009,840</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	FEMA	Infrastructure and Equipment	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$311,269	\$0	\$0	\$180,227	\$491,496
Municipal Income Taxes	1,656,724	0	0	165,148	1,821,872
Charges for Services	156,556	0	0	0	156,556
Fines, Licenses and Permits	361,124	0	0	216,422	577,546
Intergovernmental	308,759	0	612,759	708,791	1,630,309
Interest	3,482	0	0	103	3,585
Rentals	0	0	0	8,970	8,970
Contributions and Donations	0	0	0	2,191	2,191
Other	122,397	0	66,378	15,692	204,467
<i>Total Revenues</i>	<u>2,920,311</u>	<u>0</u>	<u>679,137</u>	<u>1,297,544</u>	<u>4,896,992</u>
Expenditures					
Current:					
General Government	1,148,836	0	0	59,748	1,208,584
Security of Persons and Property:					
Police	958,610	0	0	274,106	1,232,716
Fire	470,032	695,948	0	136,016	1,301,996
Transportation	0	0	0	426,474	426,474
Community Environment	0	0	0	448,143	448,143
Leisure Time Activities	0	0	0	491,104	491,104
Capital Outlay	0	0	628,813	25,510	654,323
Debt Service:					
Principal Retirement	115,966	0	0	13,370	129,336
Interest and Fiscal Charges	5,669	0	0	22,105	27,774
<i>Total Expenditures</i>	<u>2,699,113</u>	<u>695,948</u>	<u>628,813</u>	<u>1,896,576</u>	<u>5,920,450</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>221,198</u>	<u>(695,948)</u>	<u>50,324</u>	<u>(599,032)</u>	<u>(1,023,458)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	55,000	55,000
Transfers Out	(55,000)	0	0	0	(55,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(55,000)</u>	<u>0</u>	<u>0</u>	<u>55,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	166,198	(695,948)	50,324	(544,032)	(1,023,458)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,046,754</u>	<u>696,385</u>	<u>9,995</u>	<u>1,771,094</u>	<u>3,524,228</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,212,952</u>	<u>\$437</u>	<u>\$60,319</u>	<u>\$1,227,062</u>	<u>\$2,500,770</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$1,023,458)

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

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

Capital Asset Additions	1,351,895
Current Year Depreciation	<u>(128,134)</u>

Total 1,223,761

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities of activities, a gain or loss is reported for each disposal. (16,806)

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

Delinquent Property Taxes	16,407
Income Taxes	154,802
Intergovernmental	<u>(4,682)</u>

Total 166,527

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 129,336

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 47

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 371

Change in Net Position of Governmental Activities \$479,778

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$304,220	\$304,220	\$311,269	\$7,049
Municipal Income Taxes	1,348,000	1,621,887	1,621,887	0
Charges for Services	139,215	139,215	156,556	17,341
Fines, Licenses and Permits	332,300	387,300	360,961	(26,339)
Intergovernmental	278,053	311,007	343,736	32,729
Interest	10,000	10,000	3,482	(6,518)
Other	108,925	149,083	120,647	(28,436)
<i>Total Revenues</i>	2,520,713	2,922,712	2,918,538	(4,174)
Expenditures				
Current:				
General Government	1,112,418	1,151,418	1,217,057	(65,639)
Security of Persons and Property:				
Police	992,043	1,000,043	1,058,706	(58,663)
Fire	486,672	506,672	469,966	36,706
Debt Service:				
Principal Retirement	80,000	80,000	115,966	(35,966)
Interest and Fiscal Charges	0	0	5,669	(5,669)
<i>Total Expenditures</i>	2,671,133	2,738,133	2,867,364	(87,596)
<i>Excess of Revenues Over (Under) Expenditures</i>	(150,420)	184,579	51,174	(133,405)
Other Financing Uses				
Advances Out	0	(100,000)	(100,000)	0
Transfers Out	0	(55,000)	(55,000)	0
<i>Total Other Financing Uses</i>	0	(155,000)	(155,000)	0
<i>Net Change in Fund Balance</i>	(150,420)	29,579	(103,826)	(133,405)
<i>Fund Balance Beginning of Year</i>	1,073,257	1,073,257	1,073,257	0
Prior Year Encumbrances Appropriated	32,875	32,875	32,875	0
<i>Fund Balance End of Year</i>	\$955,712	\$1,135,711	\$1,002,306	(\$133,405)

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
FEMA Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$5,000	\$5,000	\$0	(\$5,000)
Expenditures				
Current:				
Security of Persons and Property:				
Fire	701,103	701,103	695,948	5,155
<i>Net Change in Fund Balance</i>	(696,103)	(696,103)	(695,948)	155
<i>Fund Balance Beginning of Year</i>	696,385	696,385	696,385	0
<i>Fund Balance End of Year</i>	\$282	\$282	\$437	\$155

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Enterprise		
	Water	Storm Water Management	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$756,492	\$304,393	\$1,060,885
Accounts Receivable	86,914	0	86,914
<i>Total Current Assets</i>	<u>843,406</u>	<u>304,393</u>	<u>1,147,799</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	34,280	0	34,280
Depreciable Capital Assets, Net	5,227,018	0	5,227,018
<i>Total Noncurrent Assets</i>	<u>5,261,298</u>	<u>0</u>	<u>5,261,298</u>
<i>Total Assets</i>	<u>6,104,704</u>	<u>304,393</u>	<u>6,409,097</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	774	340	1,114
Accrued Wages	16,499	1,057	17,556
Intergovernmental Payable	26,845	0	26,845
Accrued Interest Payable	41,199	0	41,199
OWDA Loans Payable	108,343	0	108,343
OPWC Loans Payable	45,544	0	45,544
Compensated Absences Payable	4,482	0	4,482
<i>Total Current Liabilities</i>	<u>243,686</u>	<u>1,397</u>	<u>245,083</u>
<i>Long-Term Liabilities (net of current portion):</i>			
OWDA Loans Payable	1,381,805	0	1,381,805
OPWC Loans Payable	392,179	0	392,179
Compensated Absences Payable	40,365	0	40,365
<i>Total Long-Term Liabilities</i>	<u>1,814,349</u>	<u>0</u>	<u>1,814,349</u>
<i>Total Liabilities</i>	<u>2,058,035</u>	<u>1,397</u>	<u>2,059,432</u>
Net Position			
Net Investment in Capital Assets	3,333,427	0	3,333,427
Unrestricted	713,242	302,996	1,016,238
<i>Total Net Position</i>	<u>\$4,046,669</u>	<u>\$302,996</u>	<u>\$4,349,665</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012*

	Enterprise		
	Water	Storm Water Management	Total
Operating Revenues			
Charges for Services	\$1,775,180	\$145,524	\$1,920,704
Operating Expenses			
Personal Services	696,010	20,845	716,855
Materials and Supplies	200,105	2,600	202,705
Contractual Services	428,170	104,595	532,765
Depreciation	207,583	0	207,583
Other	10,382	2,389	12,771
<i>Total Operating Expenses</i>	<u>1,542,250</u>	<u>130,429</u>	<u>1,672,679</u>
<i>Operating Income</i>	232,930	15,095	248,025
Non-Operating Expenses			
Interest and Fiscal Charges	<u>(84,964)</u>	<u>0</u>	<u>(84,964)</u>
<i>Change in Net Position</i>	147,966	15,095	163,061
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>3,898,703</u>	<u>287,901</u>	<u>4,186,604</u>
<i>Net Position End of Year</i>	<u><u>\$4,046,669</u></u>	<u><u>\$302,996</u></u>	<u><u>\$4,349,665</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Enterprise		
	Water	Storm Water Management	Total
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,744,194	\$145,524	\$1,889,718
Other Cash Receipts	11,930	0	11,930
Cash Payments to Employees for Services	(701,810)	(20,801)	(722,611)
Cash Payments for Goods and Services	(648,111)	(114,863)	(762,974)
Other Cash Payments	(10,382)	(2,389)	(12,771)
<i>Net Cash Provided by Operating Activities</i>	<u>395,821</u>	<u>7,471</u>	<u>403,292</u>
Cash Flows from Noncapital Financing Activities			
Financing Activities			
Operating Grants Received	<u>0</u>	<u>15,667</u>	<u>15,667</u>
Cash Flows from Capital and Related Financing Activities			
Principal Paid on OWDA Loans	(102,712)	0	(102,712)
Interest Paid on OWDA Loans	(87,772)	0	(87,772)
Principal Paid on OWPC Loans	<u>(45,544)</u>	<u>0</u>	<u>(45,544)</u>
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(236,028)</u>	<u>0</u>	<u>(236,028)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	159,793	23,138	182,931
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>596,699</u>	<u>281,255</u>	<u>877,954</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$756,492</u></u>	<u><u>\$304,393</u></u>	<u><u>\$1,060,885</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	<u>\$232,930</u>	<u>\$15,095</u>	<u>\$248,025</u>
Adjustments:			
Depreciation	207,583	0	207,583
<i>Increase in Accounts Receivable</i>	(19,056)	0	(19,056)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	(19,836)	(7,328)	(27,164)
Accrued Wages	(1,102)	(372)	(1,474)
Compensated Absences Payable	2,018	0	2,018
Intergovernmental Payable	<u>(6,716)</u>	<u>76</u>	<u>(6,640)</u>
<i>Total Adjustments</i>	<u>162,891</u>	<u>(7,624)</u>	<u>155,267</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$395,821</u></u>	<u><u>\$7,471</u></u>	<u><u>\$403,292</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$298,059
Cash and Cash Equivalents in Segregated Accounts	<u>76,900</u>
<i>Total Assets</i>	<u><u>\$374,959</u></u>
Liabilities	
Due to Others	\$121,497
Due to Other Governments	<u>253,462</u>
<i>Total Liabilities</i>	<u><u>\$374,959</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 1 – Description of the City and Reporting Entity

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

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

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

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

Reporting Entity

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

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Campbell have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

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

Fund Accounting

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

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

FEMA Fund The FEMA Fund accounts for and reports restricted grant monies received from the Federal Emergency Management Agency to be expended on personal protective equipment for use by the fire department.

Infrastructure and Equipment Capital Fund – The infrastructure and equipment capital project fund accounts for and reports restricted grant monies received from the Ohio Department of Development and the Ohio Public Works Commission to be expended on various infrastructure projects and to purchase equipment.

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

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

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

Fiduciary Funds

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

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

Measurement Focus

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Unearned Revenue Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The City recognizes unearned revenue for the long-term lease of land throughout the City for oil and gas exploration.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. The amounts have been recorded as deferred inflow on both the government-wide statement of net position and the government fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amount to \$3,482, of which \$1,643 is assigned from other City funds.

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

Inventory

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

Restricted Assets

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life or not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental and Business-Type Activities Estimated Lives
Land Improvements	15 - 50 years
Buildings	40 years
Machinery and Equipment	5 - 20 years
Vehicles	8 years
Infrastructure	30 - 100 years

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

Interfund Balances

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

Compensated Absences

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

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

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

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

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by policies of the Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Net Position

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services and rentals for water and storm water services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

Internal Activity

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level by department for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within the object level has been given to the Finance Director.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 – Change in Financial Statement Presentation and Basis of Accounting

For 2012, the City has presented financial statements by fund type in accordance with generally accepted accounting principles. In conjunction with this presentation, the City has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental fund financial statements and to the accrual basis for its government-wide financial statements. This change required that certain adjustments be recorded to the December 31, 2011 fund balances and net position as previously reported to reflect the prior year's effect of adopting these new accounting principles. These adjustments had the following effect on fund balance as they were previously reported.

	General	FEMA	Infrastructure and Equipment	Other Governmental Funds	Total Governmental Funds
Fund Balance, December 31, 2011	\$1,106,132	\$696,385	\$2,972	\$1,580,775	\$3,386,264
Adjustments	(59,378)	0	7,023	190,319	137,964
Adjusted Fund Balance, December 31, 2011	<u>\$1,046,754</u>	<u>\$696,385</u>	<u>\$9,995</u>	<u>\$1,771,094</u>	<u>\$3,524,228</u>

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The adjustments increased governmental activities net position at December 31, 2011 by \$2,143,798 from \$3,386,264 to \$5,530,062.

	Business-Type Activities		
	Water	Storm Water Management	Total Business-Type Activities
	Net Position, December 31, 2011	\$596,699	\$281,255
Adjustments	3,302,004	6,646	3,308,650
Adjusted Net Position, December 31, 2011	\$3,898,703	\$287,901	\$4,186,604

For 2012, the City early implemented Governmental Accounting Standard Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Fund Balances

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

Fund Balances	General	FEMA	Infrastructure and Equipment	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$0	\$0	\$0	\$2,990	\$2,990
Unclaimed Monies	13,498	0	0	0	13,498
<i>Total Nonspendable</i>	13,498	0	0	2,990	16,488
<i>Restricted for</i>					
Recreation	\$0	\$0	\$0	138,215	\$138,215
Safety Forces	0	437	0	332,476	332,913
Street Maintenance	0	0	0	330,471	330,471
Recycling	0	0	0	34,134	34,134
Enforcement and Educaion	0	0	0	233,717	233,717
Community Development	0	0	0	118,078	118,078
Capital Improvements	0	0	60,319	8,245	68,564
<i>Total Restricted</i>	0	437	60,319	1,195,336	1,256,092

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Fund Balances	General	FEMA	Infrastructure and Equipment	Other Governmental Funds	Total
<i>Committed to</i>					
Safety Forces	\$0	\$0	\$0	\$23,125	\$23,125
Capital Improvements	0	0	0	5,755	5,755
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,880</u>	<u>28,880</u>
<i>Assigned to</i>					
Purchases on Order	107,912	0	0	0	107,912
<i>Unassigned (Deficit)</i>	<u>1,091,542</u>	<u>0</u>	<u>0</u>	<u>(144)</u>	<u>1,091,398</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$1,212,952</u>	<u>\$437</u>	<u>\$60,319</u>	<u>\$1,227,062</u>	<u>\$2,500,770</u>

Note 5 – Accountability and Compliance

Accountability

At December 31, 2012, the area on aging special revenue fund had a fund deficit of \$144 due to adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Compliance

The City was placed in fiscal emergency as a result of deficit spending which resulted in deficit funds contrary to the provisions of Chapter 5705, Revised Code. These violations were cited extensively (repeatedly) in the reports leading up to the declaration of emergency. While in emergency, it is anticipated that these violations will continue until the City regains financial stability. Until that time, only new violations in funds that were not in deficit at the time of the emergency declaration will be cited.

Note 6 - Budgetary Basis of Accounting

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

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

4. Advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarized the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balances		
	General	FEMA
GAAP Basis	\$166,198	(\$695,948)
Net Adjustment for Revenue Accruals	(1,773)	0
Net Adjustment for Expenditures Accruals	(56,980)	0
Advance Out	(100,000)	0
Encumbrances	(111,271)	0
Budget Basis	(\$103,826)	(\$695,948)

Note 7 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,490,416 of the City's bank balance of \$3,842,384 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 8 - Receivables

Receivables at December 31, 2012, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues and accounts (billings for utility service).

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

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2012, was \$9.70 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$75,998,000
Public Utility Personal Property	2,638,760
Total	<u><u>\$78,636,760</u></u>

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies and collects an income tax of two and half percent on all income earned within the City as well as on income of residents outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2012, the proceeds were allocated ninety percent to the general fund and ten percent to the park special revenue fund.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Gasoline and Municipal Cents per Gallon	\$128,913
Homestead and Rollback	91,197
Local Government	87,787
CHIPS Grant	77,900
Permissive Tax	40,209
Motor Vehicle License Tax	25,425
City of Youngstown	11,486
Area Agency on Aging Grant	1,556
Austintown Township	101
Commercial Activity Tax	96
Total	\$464,670

Note 9 - Compensated Absences

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 10 - Contingencies

Litigation

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

Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2012.

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$755,800	\$0	\$0	\$755,800
<i>Capital Assets being Depreciated:</i>				
Land Improvements	537,084	0	0	537,084
Buildings	1,796,193	0	0	1,796,193
Machinery and Equipment	597,512	0	0	597,512
Vehicles	1,068,119	818,304	(168,057)	1,718,366
Infrastructure	315,495	533,591	0	849,086
Total Capital Assets being Depreciated	4,314,403	1,351,895	(168,057)	5,498,241
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(333,508)	(10,742)	0	(344,250)
Buildings	(1,525,137)	(13,925)	0	(1,539,062)
Machinery and Equipment	(457,540)	(19,099)	0	(476,639)
Vehicles	(831,685)	(73,696)	151,251	(754,130)
Infrastructure	(315,495)	(10,672)	0	(326,167)
Total Accumulated Depreciation	(3,463,365)	(128,134) *	151,251	(3,440,248)
Total Capital Assets being Depreciated, Net	851,038	1,223,761	(16,806)	2,057,993
Governmental Activities Capital Assets, Net	\$1,606,838	\$1,223,761	(\$16,806)	\$2,813,793

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

*Depreciation expense was charged to governmental activities as follows:

General Government	\$27,251
Security of Persons and Property	76,189
Transportation	12,860
Leisure Time Activities	11,834
Total Depreciation Expense	\$128,134

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$34,280	\$0	\$0	\$34,280
<i>Capital Assets being Depreciated:</i>				
Land Improvements	33,962	0	0	33,962
Buildings	3,923,395	0	0	3,923,395
Machinery and Equipment	1,686,698	0	0	1,686,698
Vehicles	29,101	0	0	29,101
Infrastructure	10,200,000	0	0	10,200,000
Total Capital Assets being Depreciated	15,873,156	0	0	15,873,156
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(28,532)	(1,222)	0	(29,754)
Buildings	(2,871,550)	(47,252)	0	(2,918,802)
Machinery and Equipment	(1,407,014)	(53,836)	0	(1,460,850)
Vehicles	(11,459)	(3,273)	0	(14,732)
Infrastructure	(6,120,000)	(102,000)	0	(6,222,000)
Total Accumulated Depreciation	(10,438,555)	(207,583)	0	(10,646,138)
Total Capital Assets being Depreciated, Net	5,434,601	(207,583)	0	5,227,018
Business Type Activities Capital Assets, Net	\$5,468,881	(\$207,583)	\$0	\$5,261,298

Note 12 – Interfund Transfers and Balances

Interfund Transfers

The transfers to the aging and land revitalization special revenue funds, \$25,000 and \$30,000, respectively, were to move unassigned balances to support programs and projects accounted for in other funds.

Interfund Balances

Interfund balances at December 31, 2012, consist of general fund advances of \$3,000 to the aging special revenue fund and \$97,000 to the infrastructure and equipment capital projects fund due to the timing of the receipt of grant monies at year end.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 13 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Governmental Activities			
<i>Local Government Fund Notes - 2005</i>	6.23%	\$746,939	2012
Business-Type Activities			
<i>OPWC Loans</i>			
Liberty Sewer Water Tank - 1999	0.00%	809,670	2021
Wilson Avenue & 13th Street Sanitary Separation - 2010	0.00%	101,204	2031
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	5.16 - 5.54%	2,421,405	2024

A schedule of changes in long-term obligations of the City during 2012 follows:

	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
Governmental Activities					
<i>Local Government Fund Notes</i>	\$115,966	\$0	(\$115,966)	\$0	\$0
<i>Other</i>					
Police and Fire Pension	523,439	0	(13,370)	510,069	13,945
Compensated Absences	277,290	45,461	(45,832)	276,919	46,491
Total Governmental Activities	\$916,695	\$45,461	(\$175,168)	\$786,988	\$60,436
Business-Type Activities					
<i>OPWC Loans</i>					
Liberty Sewer Water Tank	\$384,593	\$0	(\$40,484)	\$344,109	\$40,484
Wilson Avenue and 13th Street Sanitary Separation	98,674	0	(5,060)	93,614	5,060
Total OPWC Loans	483,267	0	(45,544)	437,723	45,544
<i>OWDA Loans</i>					
Water Treatment Plant	1,592,860	0	(102,712)	1,490,148	108,343
<i>Other</i>					
Compensated Absences	42,829	7,731	(5,713)	44,847	4,482
Total Business-Type Activities	\$2,118,956	\$7,731	(\$153,969)	\$1,972,718	\$158,369

The local government fund notes and the police and fire pension liability will be paid from the general fund. The OWDA and OPWC loans will be paid with user charges from the water enterprise fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue fund and the water enterprise fund.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The City's overall legal debt margin was \$8,256,860 with an unvoted debt margin of \$4,325,022 at December 31, 2012. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012, are as follows:

Governmental Activities:

	Police and Fire Pension Liability	
	Principal	Interest
2013	\$13,945	\$21,531
2014	14,544	20,932
2015	15,168	20,308
2016	15,820	19,656
2017	16,499	18,977
2018-2022	93,756	83,625
2023-2027	115,696	61,685
2028-2032	142,771	34,610
2033-2035	81,870	5,226
Total	\$510,069	\$286,550

Business-Type Activities:

	OWDA Loans		OPWC Loans
	Principal	Interest	
2013	\$108,343	\$82,141	\$45,544
2014	114,283	76,201	45,544
2015	98,261	70,220	45,544
2016	103,705	64,777	45,544
2017	109,450	59,032	45,544
2018-2022	645,207	197,200	166,988
2023-2027	310,899	26,067	25,301
2028-2031	0	0	17,714
Total	\$1,490,148	\$575,638	\$437,723

Note 14 - Risk Management

The City of Campbell is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2012, the City contracted with Ohio Plan Insurance for various types of insurance coverage as follows:

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Type	Coverage	Deductible
Inland Marine	\$329,135	\$500
Property	22,271,590	1,000
Electronic Data Processing	100,000	500
Crime	137,100	100
Fleet Vehicle		
Physical Damage	50,000	500
Liability	2,000,000	500

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

Healthcare is provided through Medical Mutual with single coverage of \$6,923.64 per year, husband and wife coverage of \$12,911.04 per year, parent and child coverage of \$10,514.4 per year and full family coverage of \$18,133.08 per year.

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

Note 15 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The City's 2012 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were \$100,371, \$114,982 and \$93,356, respectively. For 2012, 84.54 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. There were no contributions to the member-directed plan for 2012.

Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$85,885 and \$45,546 for the year ended December 31, 2012, \$81,197 and \$29,646 for the year ended December 31, 2011, and \$79,089 and \$45,028 for the year ended December 31, 2010, respectively. For 2012, 86.28 percent for police and 62.84 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2011, the unfunded liability of the City was \$510,069 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 16 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$40,148, \$45,993 and \$53,167, respectively. For 2012, 84.54 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$45,469 and \$17,822 for the year ended December 31, 2012, \$42,987 and \$11,600 for the year ended December 31, 2011, and \$41,870 and \$17,619 for the year ended December 31, 2010. For 2012, 86.28 percent has been contributed for police and 62.84 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 17 – Encumbrances

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

Governmental Funds		Proprietary Funds	
General	\$111,271	Water	\$23,851
Other Government Funds	<u>40,359</u>	Sewer	<u>29,832</u>
Total Governemntal Funds	<u><u>\$151,630</u></u>		<u><u>\$53,683</u></u>

City of Campbell, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

(This page left intentionally blank.)

City of Campbell
Mahoning County
Schedule of Federal Awards Expenditures
For the Year Ending December 31, 2012

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Homeland Security (DHS)</u>		
Direct Program:		
FEMA Assistance to Firefighters Grant	97.044	\$ 695,947
Total U.S. Department of Homeland Security		695,947
<u>U.S. Department of Housing and Urban Development</u>		
Pass through Ohio Department of Development:		
Community Development Block Grant		
Community Development Block Grant - 2009	14.228	20,192
Community Development Block Grant - 2010	14.228	7,000
Community Development Block Grant - 2011	14.228	48,360
Community Development Block Grant - CHIP 2009	14.228	61,582
Community Development Block Grant - CHIP 2011	14.228	29,238
Total Community Development Block Grant		166,372
Home Investment Partnership Program - CHIP 2009	14.239	177,261
Home Investment Partnership Program - CHIP 2011	14.239	4,910
Total Home Investment Partnership Program		182,171
Total U.S. Department of Housing and Urban Development		348,543
<u>U.S. Department of Transportation</u>		
Pass through Ohio Department of Transportation		
Safer Sidewalks Grant	20.205	229,234
Total U.S. Department of Health & Human Services		229,234
Total Federal Awards		\$ 1,273,724

See accompanying Notes to the Schedule of Federal Awards Expenditures

**CITY OF CAMPBELL
MAHONING COUNTY**

**Notes to the Schedule of Federal Award Expenditures
For the Year Ended December 31, 2012**

Note A- Significant Accounting Policies

The accompanying Schedule of Federal Award Expenditures is a summary of the activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Note B – Matching Requirements

Certain Federal programs require that the City contribute non-Federal funds (matching) to support the Federally-funded programs. The expenditures of non-Federal matching funds are not included on the Schedule.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County (the City) as of and for the year ended December 31, 2012 and the related notes to the financial statements and have issued our report thereon dated August 29, 2013, wherein we noted the City changed its method of accounting from the cash basis to accounting principles generally accepted in the United States of America and implemented GASB Statement No. 65. We also noted the City is experiencing financial difficulties and is in fiscal emergency.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.


Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated August 29, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
August 29, 2013

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City of Campbell
351 Tenney Avenue
Campbell, Ohio 44405

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Campbell's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2012. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-01 to be a material weakness.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Campbell (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated August 29, 2013. We conducted our audit to opine on the City's basic financial statements. The accompanying federal awards expenditures schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charles Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.

August 29, 2013

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

**CITY OF CAMPBELL
MAHONING COUNTY
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	FEMA Assistance to Firefighters, CFDA# 97.044
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None.

**CITY OF CAMPBELL
MAHONING COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Year Ended December 31, 2012**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number: 2012-01 – Material Weakness

OMB Circular A-133 states that it is management’s responsibility to prepare an accurate Schedule of Federal Awards Expenditures. The requirement to present a schedule of expenditures of federal awards means that the recipient has to identify all of its federal programs (direct and indirect, major and nonmajor) and related awards expended, including separately identifying expenditures of Recovery Act awards.

The City’s internal control procedures did not identify a U.S. Department of Transportation Safe Sidewalks grant (CFDA #20.205) for \$229,234 that was passed through the Ohio Department of Transportation (ODOT). This grant was a direct payment grant, whereby ODOT paid vendors directly rather than sending money to the City and the City paying vendors. The failure to identify grants and include all activity affects the City’s ability to report accurate federal expenditures required by OMB Circular A-133. This grant was identified during audit procedures and subsequently included in the schedule.

We recommend that the City implement additional procedures to identify federal grants and include them on the annual schedule of federal awards expenditures. Management should contact the various granting agencies and request documentation for all grant activity with the City.

Management Response:

Per conversation with Dr. Mike Evanson, Finance Director, the pass-through entity’s communication with him regarding the payments made to the vendors was insufficient. He will track federal funds and pass-through monies by contacting each federal agency or pass-through entity to request documentation. Also, he will periodically visit the various agency websites to confirm all activity for inclusion on the federal schedule.

**CITY OF CAMPBELL
MAHONING COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Ohio Administrative Code 117-2-03 (B) –City did not prepare its annual financial report in accordance with generally accepted accounting principles.	Yes	Finding no longer valid
2010-02	Financial Plan for the City of Campbell Fiscal Emergency Mahoning County, Ohio, December 16, 2004, Finance Director did not close the books of the City and prepare monthly reconciliations by the 12 th of every month.	Yes	Finding no longer valid
2010-03	ORC § 5705.41 (D), failure to certify funds.	No	Partially Corrected. Moved to management letter
2010-04	Charter of the City of Campbell, Ohio § 5.04, failure to obtain Board of Control approval and competitive bidding procedures for purchases exceeding \$1,000	Yes	Finding no longer valid
2010-05	Significant Deficiencies – Deficiencies noted in the City’s management of checks due to lack of internal controls.	Yes	Finding no longer valid
2010-006	Significant Deficiencies – Deficiencies noted in the City’s management of miscellaneous receipt postings due to lack of internal controls.	Yes	Finding no longer valid



Dave Yost • Auditor of State

CITY OF CAMPBELL

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 22, 2013**