



Mary Taylor, CPA  
Auditor of State



**CITY OF CAMPBELL  
MAHONING COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the budgetary comparison for the General fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the City revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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

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

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditures schedule is required by 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. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

March 9, 2009

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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The management's discussion and analysis for the City of Campbell's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**Financial Highlights**

The City faced numerous challenges during 2005. The major challenges were to reduce expenditures in the general fund, street fund and water operating fund; make payments to the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund not made during 2004 and make payments on past due accounts payable from 2003 and 2004.

- The City of Campbell joined the Regional Income Tax Agency (R.I.T.A.) during 2005. R.I.T.A. commenced administering and collecting the City's income taxes as of January 1, 2005. As a result, income tax collections for the City's General Fund increased \$161,887 over the prior year, due in part to accelerated collections of delinquencies, collecting from prior non-filers, and enforcing the payment of quarterly estimated taxes by individuals.
- Staffing Reductions: The City was not able to reduce staffing levels due primarily to restrictions in union contracts. However, the City received the benefit of 2004 staff reductions with the finalization of severance payments, which continued on a bi-weekly basis into 2005.
- Operating Levy: Additional revenue is needed for the City to survive at its current level of operations. A five-year, five mill general operating levy, defeated in November 2004, was again defeated in November 2005. The property tax levy was estimated to provide an additional \$330,000 annually, net of County Auditor and Treasurer's fees.
- Major Grants: The major grants received by the City are CDBG, CHIP and Small Cities Formula Allocation Grants.
- The City was able to finalize a Local Government Fund Note borrowing that provided \$746,939 to catch up on the amounts owed to the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund not made during 2004 and to make payments on past due accounts payable from 2003 and 2004. However, the amount able to be borrowed was not sufficient to pay all of the past due accounts payable. Some past due accounts payable will finally be paid off in 2006.
- Due primarily to the effects of staffing cuts made in 2004, negotiated wage freezes, increased income tax collections, and the proceeds from the sale of Local Government Fund Notes, the City was able to reduce the General Fund deficit balance by \$281,945.
- The deficit in the Street Fund increased by \$11,012 due mainly to price increases and payments for 2004 goods (road salt and slag) that had to be paid in order to ensure the safety of the City's residents. However, the deficit in the State Highway Fund was reduced by \$26,180.

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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***Using the Basic Financial Statements***

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

***Report Components***

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

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

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

***Basis of Accounting***

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

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

***Reporting the City of Campbell as a Whole***

***Statement of Net Assets and Statement of Activities***

The statement of net assets and the statement of activities reflect how the City did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the City at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

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

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

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

***Reporting on the Most Significant Funds of the City of Campbell***

*Fund Financial Statements*

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

***Governmental Funds*** All of the City's major activities (excluding the water and sewer funds) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the cash method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources is available or will be available to provide the services that the general government provides in the near future. These services include police and fire protection, as well as improving and maintaining the City's streets, parks, and city hall. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the government funds is reconciled in the financial statements.

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

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

**The City of Campbell as a Whole**

Table 1 provides a summary of the City's net assets for 2005 compared to 2004 on a cash basis:

**(Table 1)**  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$465,417	\$108,800	\$210,297	\$239,302	\$675,714	\$348,102
<b>Net Assets</b>						
Restricted for:						
Capital Projects	37,956	38,417	0	0	37,956	38,417
Other Purposes	506,607	431,474	0	0	506,607	431,474
Unrestricted (Deficit)	(79,146)	(361,091)	210,297	239,302	131,151	(121,789)
<b>Total Net Assets</b>	<b>\$465,417</b>	<b>\$108,800</b>	<b>\$210,297</b>	<b>\$239,302</b>	<b>\$675,714</b>	<b>\$348,102</b>

Net Assets of governmental activities increased \$356,617 or 327.77 percent during 2005. The primary reasons contributing to the increases in cash balances are an increase in income taxes and estate taxes received, proceeds from the sale of Local Government Fund Notes, offset by a major decrease in the amounts of unpaid accounts payable, and reductions in hospitalization and other employee benefit costs as a result of staff reductions and retirements.

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*Management's Discussion and Analysis*  
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Table 2 reflects the changes in net assets in 2005 from 2004.

**(Table 2)**  
*Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Program Revenues</b>						
Charges for Services	\$427,458	\$438,689	\$1,353,305	\$1,425,782	\$1,780,763	\$1,864,471
Operating Grants and Contributions	1,192,088	613,579	0	0	1,192,088	613,579
Capital Grants and Contributions	61,829	16,815	0	0	61,829	16,815
<i>Total Program Revenues</i>	<u>1,681,375</u>	<u>1,069,083</u>	<u>1,353,305</u>	<u>1,425,782</u>	<u>3,034,680</u>	<u>2,494,865</u>
<b>General Revenues</b>						
Property Taxes	376,855	369,445	0	0	376,855	369,445
Income Taxes	1,809,752	1,629,876	0	0	1,809,752	1,629,876
Grants and Entitlements	487,702	496,131	0	0	487,702	496,131
Proceeds of OWDA Loan	0	0	0	170,209	0	170,209
Proceeds of Notes	746,939	0	0	0	746,939	0
Premium on Notes	26,143	0	0	0	26,143	0
Miscellaneous	66,724	59,275	20,283	18,053	87,007	77,328
<i>Total General Revenues</i>	<u>3,514,115</u>	<u>2,554,727</u>	<u>20,283</u>	<u>188,262</u>	<u>3,534,398</u>	<u>2,742,989</u>
<i>Total Revenues</i>	<u>5,195,490</u>	<u>3,623,810</u>	<u>1,373,588</u>	<u>1,614,044</u>	<u>6,569,078</u>	<u>5,237,854</u>
<b>Program Expenses</b>						
General Government	1,188,407	897,564	0	0	1,188,407	897,564
Security of Persons and Property:						
Police	1,221,850	941,998	0	0	1,221,850	941,998
Fire	792,674	620,839	0	0	792,674	620,839
Leisure Time Activities	162,084	73,029	0	0	162,084	73,029
Community Environment	818,144	186,751	0	0	818,144	186,751
Basic Utility Services	0	1,791	0	0	0	1,791
Transportation	341,140	345,116	0	0	341,140	345,116
Capital Outlay	72,290	4,203	0	0	72,290	4,203
Principal Retirement	171,120	167,249	0	0	171,120	167,249
Interest and Fiscal Charges	71,164	44,314	0	0	71,164	44,314
Water	0	0	1,402,593	1,307,957	1,402,593	1,307,957
Sewer	0	0	0	544	0	544
<i>Total Program Expenses</i>	<u>4,838,873</u>	<u>3,282,854</u>	<u>1,402,593</u>	<u>1,308,501</u>	<u>6,241,466</u>	<u>4,591,355</u>
<i>Change in Net Assets</i>	<u>356,617</u>	<u>340,956</u>	<u>(29,005)</u>	<u>305,543</u>	<u>327,612</u>	<u>646,499</u>
<i>Net Assets (Deficit) Beginning of Year</i>	<u>108,800</u>	<u>(232,156)</u>	<u>239,302</u>	<u>(66,241)</u>	<u>348,102</u>	<u>(298,397)</u>
<i>Net Assets End of Year</i>	<u>\$465,417</u>	<u>\$108,800</u>	<u>\$210,297</u>	<u>\$239,302</u>	<u>\$675,714</u>	<u>\$348,102</u>

Program revenues represent only 46.98 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, fine money allocated to and restricted for use by the municipal court and grant money restricted by the State and Federal granting agencies.

General receipts represent 53.02 percent of the total receipts, and of this amount, over 64.85 percent are taxes. Grants and entitlements not restricted for any purpose make up 10.12 percent of general receipts.

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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Miscellaneous receipts and investment earnings are insignificant and are somewhat unpredictable revenue sources.

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

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

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

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

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

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

The increase in governmental liabilities was due to the issuance of Local Government Fund Notes to reduce the amounts of unpaid accounts payable and reduce deficits.

### **Governmental Activities**

If you look at the Statement of Activities on pages 14 and 15, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which includes the municipal court, security of persons and property, leisure time activities, community environment and transportation. General government expenditures account for 23.59 percent of all governmental disbursements. Security of persons and property, leisure time activities, community environment and transportation account for 42.62 percent, 3.42 percent, 17.96 percent, and 8.09 percent, respectively, of governmental expenditures. The next three columns of the Statement of Activities entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the government that must be used to provide a specific service. The Disbursements Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which is predominately money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost of services is presented in Table 3.

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

**(Table 3)**

	Governmental and Business-Type		Governmental and Business-Type	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$1,188,407	\$1,007,671	\$897,564	\$718,184
Security of Persons and Property:				
Police	1,221,850	1,066,237	941,998	768,712
Fire	792,674	715,762	620,839	545,468
Leisure Time Activities	162,084	144,081	73,029	56,171
Community Environment	818,144	53,733	186,751	(29,982)
Basic Utility Services	0	0	1,791	1,791
Transportation	341,140	(144,560)	345,116	(62,339)
Capital Outlay	72,290	72,290	4,203	4,203
Principal Retirement	171,120	171,120	167,249	167,249
Interest and Fiscal Charges	71,164	71,164	44,314	44,314
Water	1,402,593	49,288	1,307,957	117,181
Sewer	0	0	544	100
Total Expenses	<u>\$6,241,466</u>	<u>\$3,206,786</u>	<u>\$4,591,355</u>	<u>\$2,331,052</u>

***Governmental Activities***

The dependence upon property and income tax receipts is apparent as \$3,206,786, or 51.38 percent of governmental activities are supported through these receipts.

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.50 percent and generated \$1,809,752 in revenue for 2005, accounting for approximately 40.92 percent of governmental activities revenue. The revenue collected from the income tax was receipted into the following funds: 90 percent went to the general fund and 10 percent to the Park operating fund. Unrestricted State shared revenues (local government funds) received through the County for 2005 were \$302,832 and represent about 5.99 percent of governmental activities revenue.

Income tax collections for 2005 were 10.32 percent greater than 2004. This increase was due, in part, to the City of Campbell joining the Regional Income Tax Agency (R.I.T.A.) during 2005. R.I.T.A. commenced administering and collecting the City's income taxes as of January 1, 2005. As a result, income tax collections for the City's General Fund increased \$171,122 over the prior year, due in part to accelerated collections of delinquencies, collecting from prior non-filers, and enforcing the payment of quarterly estimated taxes by individuals.

However the City of Campbell continues to suffer continued erosion of the tax base due to additional loss of jobs, a decline in the number of taxpayers, an aging population, retirement of residents with high paying jobs working in other communities and relocation of younger citizens to other area communities and outside of the local area due to lack of jobs.

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

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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- An increase in local real estate taxes from inside millage of approximately \$12,000, or in excess of three percent from 2004 to 2005.
- A decrease in Local Government Funding received directly from the State from 2004 to 2005 of \$3,753 or 1.23 percent.
- Increases in the amount paid to workers' compensation due to elimination of premium reductions previously given by the Ohio Bureau of Workers' Compensation and a higher base premium due to a worsening experience rating resulting from an increase in the number of claims and amounts.

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

The City's Street Department (transportation) accounted for 7.05 percent of the expenses in the governmental activities or about \$341,140. The City street fund had been operating at a deficit causing the street department to be reduced by two employees during 2004.

***Business-Type Activities***

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

The City operates one business-type activity, a water treatment plant and distribution system. The water plant generated revenues of \$1,373,587, while expenses were \$1,402,592. In 2004, the water plant provided water to a monthly average of 3,505 customers. An average of approximately forty-four million gallons of water is processed each month. Water customers have declined from an annual monthly average of 3,588 in 2002 to 3,576, 3,551, and 3,505 in 2003, 2004, and 2005 respectively.

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

***The City's Funds***

Information about the City's governmental funds begins on page 16. All governmental funds had revenues of \$4,422,408 and expenditures of \$4,838,873. The funds are monitored monthly with adjustments made periodically during the year in budgets to accommodate yearly revenues.

The general fund had receipts of \$2,656,485, proceeds from the sale of Local Government Fund Notes of \$746,939, and cash disbursements of \$3,147,622 and encumbrances of \$76,058. The decrease in the cumulative deficit attributable to the results in staffing reduction in 2004 and the Local Government Fund borrowing. The City was still constrained on further reduction due to minimum manning clauses and other restrictions upon management to reduce expenditures contained in various labor agreements.

Information about the proprietary funds starts on page 19. All business type funds had operating revenues of \$1,373,588, which exceeded operating expenses of \$1,211,877 by \$161,711, or 13.34 percent of operating expenses. The excess in revenues over expenditures was due in large part to an increase in receipt of unpaid

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bills. This excess is offset by the principal and interest payments on the waterplant outstanding debt which causes an actual decrease of \$29,005 in net assets.

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

***General Fund Budgeting Highlights***

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

During 2005, the City amended its general fund budget to reflect changing circumstances. Final budgeted receipts were \$2,581,904. The County failed to issue an original certificate of estimated resources to the City. Actual receipts were \$2,656,485, or \$74,581 higher than anticipated, primarily due to higher than anticipated income tax collections due to more aggressive pursuit of delinquent accounts and persons for failure to file and pay income taxes and unanticipated amounts for estate taxes.

**Capital Assets and Debt Administration**

***Capital Assets***

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

***Long-term Obligations***

The City had \$4,308,886 in outstanding obligations, which is \$505,122 more than last year. These obligations are comprised of local government fund notes, a long-term loan, OWDA and OPWC loans, capital leases, and police and fire accrued pension liability.

(Table 4)  
*Outstanding Obligations at Year End*

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Long-term Loan	\$58,820	\$113,134	\$0	\$0	\$58,820	\$113,134
Local Government Fund Notes	672,544	0	0	0	672,544	0
Police and Fire Pension	592,861	602,823	0	0	592,861	602,823
Capital Leases	65,620	98,069	0	0	65,620	98,069
OWDA Loans	0	0	2,106,270	2,176,967	2,106,270	2,176,967
OPWC Loans	0	0	812,771	812,771	812,771	812,771
<b>Total</b>	<b>\$1,389,845</b>	<b>\$814,026</b>	<b>\$2,919,041</b>	<b>\$2,989,738</b>	<b>\$4,308,886</b>	<b>\$3,803,764</b>

Governmental activities have 32.26 percent of the obligations. The local government fund notes were issued to pay long overdue accounts payable as well as outstanding unpaid Police and Fire and Ohio Public Employees pension payments. The capital leases are for a telephone system and a fire truck. The long-term

**City of Campbell, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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loan was issued for street paving projects throughout the City. For the business-type funds, the debt was issued for water system improvements and a water storage tank replacement.

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

***Current Financial Issues***

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

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

The challenge for the City is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. 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.

There were increases in Workers' Compensation rates due to prior experience and abuse, with the general fund experiencing the greatest financial impact. In 2003, the City paid a total of \$53,909 on a base rate of 4.5827 percent of payroll offset by a 50 percent rate reduction. In 2004, the City paid a total of \$87,594 on a base rate of 4.77 percent with an 80 percent rate reduction. In 2005 the City paid \$127,742 on a base rate of 7.47 percent with an 80 percent rate reduction. The City's rate for 2006, payable on 2005 salaries will be 9.6413 percent.

Additionally, the employer OPERS rate is scheduled to increase from 13.55 percent to 13.70 percent, while the employee rates are scheduled to increase from 8.50 percent to 9.0 percent for 2006, and an additional .50 percent in 2007 and again in 2008.

**Contacting the City's Finance Department**

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

**City of Campbell, Ohio**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$465,417	\$210,297	\$675,714
<b>Net Assets</b>			
Restricted for:			
Capital Projects	37,956	0	37,956
Other Purposes	506,607	0	506,607
Unrestricted (Deficit)	(79,146)	210,297	131,151
<i>Total Net Assets</i>	<u>\$465,417</u>	<u>\$210,297</u>	<u>\$675,714</u>

See accompanying notes to the basic financial statements

**City of Campbell, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$1,188,407	\$180,736	\$0	\$0
Security of Persons and Property:				
Police	1,221,850	154,980	633	0
Fire	792,674	76,912	0	0
Leisure Time Activities	162,084	14,830	3,173	0
Community Environment	818,144	0	743,611	20,800
Transportation	341,140	0	444,671	41,029
Capital Outlay	72,290	0	0	0
Principal Retirement	171,120	0	0	0
Interest and Fiscal Charges	71,164	0	0	0
<i>Total Governmental Activities</i>	4,838,873	427,458	1,192,088	61,829
<b>Business-Type Activities</b>				
Water	1,402,593	1,353,305	0	0
<i>Total</i>	\$6,241,466	\$1,780,763	\$1,192,088	\$61,829

**General Receipts**

Property Taxes Levied for:

    General Purposes

    Safety Forces

Income Taxes Levied for:

    General Purposes

    Parks

Grants and Entitlements not Restricted to Specific Programs

Proceeds of Local Government Notes

Premium on Local Government Notes

Miscellaneous

*Total General Receipts*

*Change in Net Assets*

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$1,007,671)	\$0	(\$1,007,671)
(1,066,237)	0	(1,066,237)
(715,762)	0	(715,762)
(144,081)	0	(144,081)
(53,733)	0	(53,733)
144,560	0	144,560
(72,290)	0	(72,290)
(171,120)	0	(171,120)
(71,164)	0	(71,164)
(3,157,498)	0	(3,157,498)
0	(49,288)	(49,288)
(3,157,498)	(49,288)	(3,206,786)
194,506	0	194,506
182,349	0	182,349
1,628,777	0	1,628,777
180,975	0	180,975
487,702	0	487,702
746,939	0	746,939
26,143	0	26,143
66,724	20,283	87,007
3,514,115	20,283	3,534,398
356,617	(29,005)	327,612
108,800	239,302	348,102
\$465,417	\$210,297	\$675,714

**City of Campbell, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	(\$79,146)	\$544,563	\$465,417
<b>Fund Balances</b>			
Reserved for Encumbrances	76,058	14,280	90,338
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(155,204)	0	(155,204)
Special Revenue Funds	0	492,327	492,327
Capital Projects Funds	0	37,956	37,956
<i>Total Fund Balances</i>	(\$79,146)	\$544,563	\$465,417

See accompanying notes to the basic financial statements

**City of Campbell, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$194,506	\$182,349	\$376,855
Income Taxes	1,628,777	180,975	1,809,752
Intergovernmental	458,695	1,282,924	1,741,619
Charges for Services	62,708	14,830	77,538
Fines, Licenses and Permits	266,976	82,944	349,920
Miscellaneous	44,823	21,901	66,724
<i>Total Receipts</i>	<u>2,656,485</u>	<u>1,765,923</u>	<u>4,422,408</u>
<b>Disbursements</b>			
Current:			
General Government	1,154,675	33,732	1,188,407
Security of Persons and Property:			
Police	1,118,149	103,701	1,221,850
Fire	691,559	101,115	792,674
Leisure Time Activities	0	162,084	162,084
Community Environment	0	818,144	818,144
Transportation	0	341,140	341,140
Capital Outlay	0	72,290	72,290
Debt Service:			
Principal Retirement	116,806	54,314	171,120
Interest and Fiscal Charges	66,433	4,731	71,164
<i>Total Disbursements</i>	<u>3,147,622</u>	<u>1,691,251</u>	<u>4,838,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(491,137)</u>	<u>74,672</u>	<u>(416,465)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Local Government Notes	746,939	0	746,939
Premium on Local Government Notes	26,143	0	26,143
Transfer In	0	29,641	29,641
Transfer Out	0	(29,641)	(29,641)
<i>Total Other Financing Sources (Uses)</i>	<u>773,082</u>	<u>0</u>	<u>773,082</u>
<i>Net Change in Fund Balance</i>	281,945	74,672	356,617
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(361,091)</u>	<u>469,891</u>	<u>108,800</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$79,146)</u></u>	<u><u>\$544,563</u></u>	<u><u>\$465,417</u></u>

See accompanying notes to the financial statements

**City of Campbell, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$189,045	\$189,045	\$194,506	\$5,461
Income Taxes	1,583,049	1,583,049	1,628,777	45,728
Intergovernmental	445,817	445,817	458,695	12,878
Charges for Services	60,947	60,947	62,708	1,761
Fines, Licenses and Permits	259,481	259,481	266,976	7,495
Miscellaneous	43,565	43,565	44,823	1,258
<i>Total Revenues</i>	<u>2,581,904</u>	<u>2,581,904</u>	<u>2,656,485</u>	<u>74,581</u>
<b>Expenditures</b>				
Current:				
General Government	934,933	1,228,481	1,184,515	43,966
Security of Persons and Property:				
Police	906,044	1,190,522	1,147,914	42,608
Fire	558,831	734,292	708,012	26,280
Debt Service:				
Principal Retirement	92,195	121,142	116,806	4,336
Interest and Fiscal Charges	52,436	68,898	66,433	2,465
<i>Total Expenditures</i>	<u>2,544,439</u>	<u>3,343,335</u>	<u>3,223,680</u>	<u>119,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	37,465	(761,431)	(567,195)	194,236
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	0	0	746,939	746,939
Premium on Notes	0	0	26,143	26,143
Transfers Out	(6,000)	(6,000)	0	6,000
<i>Total Other Financing Sources (Uses)</i>	<u>(6,000)</u>	<u>(6,000)</u>	<u>773,082</u>	<u>779,082</u>
<i>Net Change in Fund Balance</i>	31,465	(767,431)	205,887	973,318
<i>Fund Deficit Beginning of Year</i>	(907,721)	(907,721)	(907,721)	0
Prior Year Encumbrances Appropriated	546,630	546,630	546,630	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$329,626)</u>	<u>(\$1,128,522)</u>	<u>(\$155,204)</u>	<u>\$973,318</u>

See accompanying notes to the basic financial statements

**City of Campbell, Ohio**  
*Statement of Fund Net Assets - Cash Basis*  
*Enterprise Funds*  
*December 31, 2005*

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	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Current Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$208,310</u>	<u>\$1,987</u>	<u>\$210,297</u>
<b>Net Assets</b>			
Unrestricted	<u>\$208,310</u>	<u>\$1,987</u>	<u>\$210,297</u>

See accompanying notes to the basic financial statements

**City of Campbell, Ohio**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Enterprise Funds  
For the Year Ended December 31, 2005*

	Water	Sewer	Total
<b>Operating Receipts</b>			
Charges for Services	\$1,353,305	\$0	\$1,353,305
Miscellaneous	20,283	0	20,283
<i>Total Operating Receipts</i>	<u>1,373,588</u>	<u>0</u>	<u>1,373,588</u>
<b>Operating Disbursements</b>			
Personal Services	459,131	0	459,131
Fringe Benefits	161,651	0	161,651
Contractual Services	283,625	0	283,625
Materials and Supplies	307,470	0	307,470
<i>Total Operating Disbursements</i>	<u>1,211,877</u>	<u>0</u>	<u>1,211,877</u>
<i>Operating Income</i>	<u>161,711</u>	<u>0</u>	<u>161,711</u>
<b>Non-Operating Disbursements</b>			
Redemption of Principal	(70,697)	0	(70,697)
Interest and Fiscal Charges	(120,019)	0	(120,019)
<i>Total Non-Operating Disbursements</i>	<u>(190,716)</u>	<u>0</u>	<u>(190,716)</u>
<i>Change in Net Assets</i>	<u>(29,005)</u>	<u>0</u>	<u>(29,005)</u>
<i>Net Assets Beginning of Year</i>	<u>237,315</u>	<u>1,987</u>	<u>239,302</u>
<i>Net Assets End of Year</i>	<u><u>\$208,310</u></u>	<u><u>\$1,987</u></u>	<u><u>\$210,297</u></u>

See accompanying notes to the basic financial statements

**City of Campbell, Ohio**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Agency Funds*  
*December 31, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$422,541
Cash and Cash Equivalents in Segregated Accounts	<u>88,276</u>
<i>Total Assets</i>	<u><u>\$510,817</u></u>
 <b>Liabilities</b>	
Due to Others	\$96,044
Due to Other Governments	<u>414,773</u>
<i>Total Liabilities</i>	<u><u>\$510,817</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, 2005*

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**Note 1 - Reporting Entity**

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

The Mayor, elected by the voters for a two-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances and evidences of indebtedness of the City.

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

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Campbell this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, street maintenance and municipal court.

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

**Note 2 - Summary of Significant Accounting Policies**

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

***A. Basis of Presentation***

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

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

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

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

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

***B. Fund Accounting***

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

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

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

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

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

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

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

**C. Basis of Accounting**

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

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

**D. Cash and Cash Equivalents**

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. There was no interest revenue credited to the general fund during 2005.

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

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

***E. Inventory and Prepaid Items***

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

***F. Capital Assets***

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

***G. Accumulated Leave***

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

***H. Long-term Obligations***

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

***I. Fund Balance Reserves***

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

***J. Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation (adopted by the City) or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$544,563 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include parks and recreation, law library and court computerization.

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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***K. Interfund Activity***

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

***L. Note Premiums***

Note premiums are amortized over the term of the notes using the straight-line method. Note premiums are presented as an increase of the face amount of the notes payable. Note premiums are received in the year the notes are issued.

***L. Budgetary Process***

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

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

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

**Note 3 – Compliance**

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

The City was not given an original amended certificate by the County Auditor's office even though one was requested, to go with the issuance of the original appropriation resolution, in violation of budgetary law.

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 4 – Change in Accounting Principles**

For 2005, the City has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.”

GASB Statement No. 40 establishes new disclosure requirements for risk associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$76,058.

**Note 6 - Deposits and Investments**

Monies held by the City are classified by State statute into three categories.

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

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

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
6. The State Treasurer's investment pool (STAROhio);

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. Investments may only be made through specified dealers and institutions.

**Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,232,667 of the City's bank balance of \$1,474,631 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial 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.

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 7 – Receivables**

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

The full tax rate for all City operations for the year ended December 31, 2005 was \$6.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$56,343,720
Other Real Estate	6,518,380
Public Utility Personal Property	3,619,300
Tangible Personal Property	4,168,512
Total	<u><u>\$70,649,912</u></u>

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

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

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

**B. Income Tax**

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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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 2005, the proceeds were allocated ninety percent to the general fund and ten percent to the park special revenue fund.

**Note 8 - Contingencies**

**A. Grants**

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2005.

**B. Litigation**

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

**Note 9 - 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 2005, the City contracted with Ohio Plan Insurance for various types of insurance coverage as follows:

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

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

Healthcare is provided through United Healthcare with single coverage of \$376.03 per month, husband and wife coverage of \$789.66 per month, parent and child coverage of \$714.45 per month and full family coverage of \$1,128.09 per month.

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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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 10 - Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$91,386, \$95,676, and \$98,663 respectively; 72.94 percent has been contributed for 2005 and 100 percent for 2004 and 2003. There were no contributions to the member-directed plans for 2005.

***B. Ohio Police and Fire Pension Fund***

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

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$72,360 and \$56,260 for the year ended December 31, 2005, \$72,924 and \$59,875 for the year ended December 31, 2004 and \$83,996 and \$68,966 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 72.75 percent and 74.81 percent has been contributed for 2005.

## **Note 11 – Postemployment Benefits**

### ***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 358,804. Actual City contributions for 2005 which were used to fund postemployment benefits were \$38,277. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**B. Ohio Police and Fire Pension Fund**

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$47,727 for police and \$26,832 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**Note 12 – Capital Leases**

The City has existing leases for a fire truck.

The City disbursed \$32,449 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

Year Ending December 31,	
2006	\$35,786
2007	35,786
Total Minimum Lease Payments	71,572
Less: Amount Representing Interest	(5,952)
Present Value of Minimum Lease	\$65,620

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2005

**Note 13 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Governmental Activities</b>			
<i>Long-Term Loan</i>			
Street Paving - 1999	4.00 - 5.50%	\$350,000	2005
<i>Local Government Fund Notes - 2005</i>	6.23%	746,939	2012
<b>Business-Type Activities</b>			
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	5.16 - 5.54%	2,418,209	2024
Loan Repayment Loan - 2004	5.16	170,209	2014
<i>OPWC Loans</i>			
Liberty Sewer Water Tank - 1999	0.00%	809,670	2021
Water System Improvement - 1994	0.00%	505,300	2011

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

	12/31/04	Additions	Reductions	12/31/05	One Year
<b>Governmental Activities</b>					
<i>Long-term Loan</i>					
Street Paving	\$113,134	\$0	(\$54,314)	\$58,820	\$58,820
<i>Local Government Fund Notes</i>					
Premium on Local Government Notes	0	746,939	(74,395)	672,544	79,880
	0	26,143	(2,490)	23,653	0
<b>Total Local Government Notes</b>	<b>0</b>	<b>773,082</b>	<b>(76,885)</b>	<b>696,197</b>	<b>79,880</b>
<i>Other</i>					
Police and Fire Pension	602,823	0	(9,962)	592,861	10,389
Telephone System Lease	2,394	0	(2,394)	0	0
Fire Truck Lease	95,675	0	(30,055)	65,620	31,856
<b>Total Governmental Activities</b>	<b>\$814,026</b>	<b>\$773,082</b>	<b>(\$173,610)</b>	<b>\$1,413,498</b>	<b>\$180,945</b>
<b>Business-Type Activities</b>					
<i>OWDA Loans</i>					
Water Treatment Plant	\$2,006,758	\$0	(\$57,307)	\$1,949,451	\$60,482
Loan Repayment	170,209	0	(13,390)	156,819	14,090
<b>Total OWDA Loans</b>	<b>2,176,967</b>	<b>0</b>	<b>(70,697)</b>	<b>2,106,270</b>	<b>74,572</b>
<i>OPWC Loans</i>					
Liberty Sewer Water Tank	627,494	0	0	627,494	40,483
Water System Improvement	185,277	0	0	185,277	33,687
<b>Total OPWC Loans</b>	<b>812,771</b>	<b>0</b>	<b>0</b>	<b>812,771</b>	<b>74,170</b>
<b>Total Business-Type Activities</b>	<b>\$2,989,738</b>	<b>\$0</b>	<b>(\$70,697)</b>	<b>\$2,919,041</b>	<b>\$148,742</b>

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

The long-term loan will be paid from the permissive special revenue fund. The local government fund notes, the police and fire pension, and the capital leases will be paid from the general fund. The OWDA and OPWC loans will be paid with user charges from the water enterprise fund. The OWDA loans received a one-year forgiveness period due to the City's current financial constraints. Payments commenced during 2005. The OPWC loans have received a two year forgiveness period due to the economic hardships that the City is facing. Payments will commence during 2006.

The City's overall legal debt margin was \$6,686,877 with an unvoted debt margin of \$3,154,381 at December 31, 2005. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

	<b>Governmental Activities</b>					
	Long-term Loan		Local Government Fund Notes		Police and Fire Pension Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$58,820	\$2,025	\$79,880	\$4,975	\$10,389	\$25,087
2007	0	0	85,003	5,294	10,835	24,642
2008	0	0	90,364	5,628	11,300	24,176
2009	0	0	96,252	5,995	11,786	23,690
2010	0	0	102,426	6,379	12,292	23,184
2011 - 2015	0	0	218,619	13,616	69,847	107,534
2016 - 2020	0	0	0	0	86,192	91,188
2021 - 2025	0	0	0	0	106,363	71,017
2026 - 2030	0	0	0	0	131,254	46,127
2031 - 2035	0	0	0	0	142,603	15,447
<b>Total</b>	<b>\$58,820</b>	<b>\$2,025</b>	<b>\$672,544</b>	<b>\$41,887</b>	<b>\$592,861</b>	<b>\$452,092</b>

	<b>Business-Type Activities</b>		
	OWDA Loan		OPWC Loans
	Principal	Interest	Principal
2006	\$74,572	\$115,912	\$74,170
2007	78,659	111,824	74,171
2008	82,970	107,513	74,171
2009	87,519	102,965	74,171
2010	92,315	98,170	74,171
2011 - 2015	520,974	409,442	219,263
2016 - 2020	579,249	263,159	202,420
2021 - 2024	590,012	83,917	20,234
<b>Total</b>	<b>\$2,106,270</b>	<b>\$1,292,902</b>	<b>\$812,771</b>

**City of Campbell, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 14 – Interfund Transfers**

During 2005, the following transfers were made:

Transfers In	Transfers Out		
	Revolving Loan	Court Computer	Total
<i>Governmental Activities:</i>			
Community Development	\$5,641	\$0	\$5,641
Land Revitalization	6,000	0	6,000
Court Legal Research	0	18,000	18,000
<b>Total Transfers</b>	<b>\$11,641</b>	<b>\$18,000</b>	<b>\$29,641</b>

The revolving loan special revenue fund transfers to the community development and land revitalization special revenue funds are to provide additional project funding. The court computer special revenue fund transfer to the court legal research special revenue fund was per Judge authorization and City ordinance to eliminate a fund deficit.

**CITY OF CAMPBELL  
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant / State's Program	14.228	A-C-03-101-1	\$53,773
		A-F-03-101-1	50,297
		A-F-04-101-1	<u>52,811</u>
Subtotal - Community Development Block Grant / State's Program			156,881
HOME Investment Partnerships Program	14.239	A-C-03-101-2	<u>306,521</u>
Total U.S. Department of Housing and Urban Development			<u><b>463,402</b></u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Emergency Mangement Agency:</i>			
Public Assistance Grants	83.544	FEMA-1484-DR-OH	<u>196,176</u>
Total U.S. Department of Homeland Security			<u><b>196,176</b></u>
<b>Total</b>			<u><u><b>\$659,578</b></u></u>

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

At December 31, 2005, there were no outstanding loans under this program.



# Mary Taylor, CPA

## Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbell, Mahoning County, Ohio, (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2009, wherein we noted the City prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B), and wherein we noted the City is experiencing financial difficulties and is in fiscal emergency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

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

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

We consider findings 2005-003, 2005-008 and 2005-009 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2005-003, 2005-008 and 2005-009 are also material weaknesses.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2005-001 through 2005-007.

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

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 9, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

#### Compliance

We have audited the compliance of the City of Campbell (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in finding 2005-010 in the accompanying schedule of findings, the City did not comply with requirements regarding cash management applying to its Community Development Block / Grant State's Program and Home Investment Partnership Program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Campbell complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as 2005-001, 2005-003, and 2005-007. In a separate letter to the City's management dated March 9, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 2005-003, 2005-008 and 2005-009 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider findings 2005-003, 2005-008 and 2005-009 to be material weaknesses. We also noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated March 9, 2009.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 9, 2009

**CITY OF CAMPBELL  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block / Grant State's Program CFDA # 14.228; Home Investment Partnership Program CFDA # 14.239
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

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

**FINDING NUMBER 2005-001  
(Continued)**

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

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

**Officials' Response:**

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

**FINDING NUMBER 2005-002**

**Noncompliance Citation**

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

The City requested and received an extension to file their fiscal year 2005 annual report, which would require the City to submit their report by August 31, 2006. However, as of March 9, 2009, the City has yet to file that report.

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

**Officials' Response:**

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

**FINDING NUMBER 2005-003**

**Noncompliance Citation and Material Weakness**

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

**FINDING NUMBER 2005-003  
(Continued)**

The City could not provide us with the following records:

- The original signed contract with a vendor for a paving project related to the City's Community Development Block Grant (CDBG);
- Prevailing Wage Determination Schedule in effect for the same paving project;
- Environmental Review Records for two CDBGs (A-F-04-101-1 and A-F-03-101-1);
- Signed bank depository agreements.

As a result, we had to perform alternative tests to gain assurances over contracts and expenditures related to these areas.

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

- The Official Certificate of Estimated Resources;
- Council Resolution accepting amounts and rates and authorizing the necessary tax levies;
- Waiver of Tax Budget from Mahoning County;
- Council Resolutions approving all interfund transfers;
- 1099s;
- W-2s for all employees receiving taxable fringe benefits;
- Supporting documentation for the payments made to PERS and OP&F;
- Payroll related Ordinances establishing or changing pay rates for officials or employees of the City;
- Collective Bargaining Agreements;
- Public Officials Bonds;
- Utility rates;
- City's agreement with Regional Income Tax Agency (RITA);
- Detailed list of outstanding encumbrances as of year-end;
- List of all employees leaving service during the year;
- Updated internal control narratives;
- Nine purchase orders;
- Eleven voucher packages related to the City's CDBG;
- CDBG grant agreements;
- Ten CDBG Requests for Drawdowns;
- Three CDBG Final Performance Reports;
- The Federal Awards Expenditures Schedule;
- Environmental Review Records for two CDBGs (A-C-03-101-1 and A-C-03-101-2);
- Supporting documentation to ensure that projects related to a CDBG and a HOME Grant were competitively bid;
- List of all deposits-in-transit and other reconciling items as of year-end and supporting documentation thereto;
- Pledged collateral;
- Voided checks;

Miscellaneous Cash Receipts Journal;

- Invoice for the purchase of ice control slag;
- RITA's November 2005 Distribution of Income Tax Collection Report.

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

**FINDING NUMBER 2005-003  
(Continued)**

**Officials' Response:**

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

**FINDING NUMBER 2005-004**

**Noncompliance Citation**

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

As of December 31, 2005, the City had the following deficit fund cash balance:

General.....	(\$92,488)
Street, Construction, Maintenance & Repair.....	(197,957)
State Highway Improvement.....	(273)
Land Revitalization.....	(92)
Area on Aging.....	(26,907)
State Issue II.....	(31,986)
Water.....	(137,351)

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

**Officials' Response:**

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

**FINDING NUMBER 2005-005**

**Noncompliance Citation**

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

We noted the following noncompliance issues:

- Appropriations exceeded estimated resources in the General Fund by \$1,615,396 for fiscal year 2005. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2005 of \$92,488.
- Appropriations exceeded estimated resources in the Street, Construction, Maintenance and Repair Fund by \$309,198 for fiscal year 2005. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2005 of \$197,957.
- Appropriations exceeded estimated resources in the Water Fund by \$271,760 for fiscal year 2005. This situation led to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2005 of \$137,351.

**FINDING NUMBER 2005-005  
(Continued)**

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

**Officials' Response:**

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

**FINDING NUMBER 2005-006**

**Noncompliance Citation**

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

Disbursements and encumbrances exceeded appropriations and prior year carryover encumbrances in the State Issue II Fund for fiscal year 2005 by \$41,029.

The Finance Director should not certify the availability of funds and should deny payment requests exceeding appropriations. The Finance Director may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

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

**Noncompliance Citation**

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

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

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

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

**FINDING NUMBER 2005-007**  
**(Continued)**

- B. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
- C. Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certificate is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-one out of ninety-nine expenditures (52%) tested for fiscal year 2005, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the City followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

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

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

**Officials' Response:**

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

**FINDING NUMBER 2005-008**

**Material Weakness**

Controls were not in place to ensure the Federal Awards Expenditures Schedule (FAES) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the FAES provide total federal awards expended for each individual federal program. It states the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place. Our examination of the City's FAES revealed the following concerns:

- Federal expenditures were not recorded into the City's accounting system by Catalog of Federal Domestic Assistance (CFDA) number or funding source, nor identified by program year or activity. Since the federal expenditures are not readily identified in the accounting records, extensive research is required to accurately delineate federal expenditures on the Federal Awards Expenditures Schedule.
- Community Development Block Grant / State's Program and HOME Investment Partnership Program expenditures were commingled under CFDA #14.228.

**FINDING NUMBER 2005-008  
(Continued)**

- Federal assistance was not separated by program year.

The effect of the errors noted above caused the expenditures related to Community Develop Block Grant / State's Program to be overstated by \$306,521 on the FAES, and expenditures related to the HOME Investment Partnership Program to be understated by the same amount. Furthermore, additional testing was performed to ensure the HOME grant met certain compliance requirements set forth by OMB Circular A-133. A revised FAES was submitted to the Office of the Auditor of State, containing corrections to the above concerns.

We recommend the City implement procedures to ensure the FAES is prepared in accordance with federal requirements. The City should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the FAES.

**Officials' Response:**

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

**FINDING NUMBER 2005-009**

**Material Weakness**

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

- The outstanding checklist as of December 31, 2005 contained 26 City checks and 7 Municipal Court checks that were outstanding longer than one year. In addition, the total outstanding checklist amount was different from the audited amount by \$2,410.
- The cash reconciliation contained a bank error for \$826 that remained unresolved since December 2003, and nonsufficient funds amounts that were not supported.
- The cash reconciliation did not include the financing activity related to the Municipal Court's capital improvement bank account, resulting in an audit adjustment of \$23,963 to the 2005 financial statements.
- Cash reconciliations contained cash fund balances that did not agree to the audited cash fund balance amounts.
- A bank account listed the name of a former Finance Director on the account.
- Sixteen funds, reflected in the City's financial statements, contained beginning cash fund balance amounts that did not agree to the prior year's ending cash fund balance.
- Forty-two receipts and disbursements we tested were incorrectly or not posted to the ledgers.

As a result of these errors, the City's Financial Statements required audit adjustments and reclassifications, and year-end cash reconciliations were revised to agree to supporting records leaving the City with a cash fund balance that exceeded their depository balance as of December 31, 2005 by \$617. Consequently, an additional audit adjustment was required to decrease the General's Fund's cash fund balance to agree to their depository balances.

**FINDING NUMBER 2005-009  
(Continued)**

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

- Council and management should review the Cash Journal, Receipts and Expenditures Ledgers, and Financial Statements, and document said review in the City's Record of Proceedings of its Council's meetings. As part of this review, Council and management should determine whether transactions are posted to the appropriate fund and line-item, and that totals of the Cash Journal, Receipts and Expenditures Ledgers, and Financial Statements agree and are complete and accurate;
- The Finance Director should provide Council with accurate cash reconciliations with supporting documentation, if necessary. Council should document their review in the City's Record of Proceedings of its Council's meetings;
- The Finance Director should prepare analytics or a comparable mechanism to identify unusual and/or significant fluctuations in the Cash Journal and the Receipts and Expenditures Ledgers, and take corrective action, if necessary.
- The City should maintain all supporting documentation for receipts and disbursements in an organized fashion;
- Council should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be voided, re-issued, or placed in an unclaimed moneys fund.
- Council should ensure that only authorized signatories are listed on the City's bank accounts.

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

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

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

**FINDING NUMBER 2005-009  
(Continued)**

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

**Officials' Response:**

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

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

1. See Finding Number 2005-001.
2. See Finding Number 2005-003.
3. See Finding Number 2005-007.
4. See Finding Number 2005-008.
5. See Finding Number 2005-009.

**FINDING NUMBER 2005-010**

**Noncompliance Citation**

**Office of Housing and Community Partnerships (OHCP) *Financial Management Rules and Regulations*, section (A)(3)(f)** provides that grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

All ten draw downs requested for the City's Community Development Block Grant and Home Investment Partnerships Program during fiscal year 2005 failed to comply with the fifteen day rule. However, the City held these monies in a non-interest bearing account; therefore, the City did not earn any interest on these monies.

Failure to comply with this requirement may allow the Grantor to withhold payment allocation request until such compliance is demonstrated. Any and all interest earned on the funds shall be remitted to Housing and Urban Development, as specified by the Grantor.

We recommend that Council create a policy that provides procedures for requesting cash advances as close as administratively possible to actual cash outlays, and monitoring of cash management activities as required by OHCP *Financial Management Rules and Regulations* handbook.

**Officials' Response:**

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2003-001	Financial reporting system material weakness.	No	Not Corrected. This was reissued as Finding No. 2005-009.
2003-002	Ohio Administrative Code 117-2-03(B), City did not prepare its annual reporting accordance with accounting principles generally accepted in the United States of America.	No	Not Corrected. This was reissued as Finding No. 2005-001.
2003-003	Ohio Revised Code § 149.43, failure to properly furnish documents.	No	Not Corrected. This was reissued as Finding No. 2005-003.
2003-004	Ohio Revised Code § 5705.10, deficit spending.	No	Not Corrected. This was reissued as Finding No. 2005-004.
2003-005	Ohio Revised Code § 5705.36, certified receipts in excess of actual receipts while appropriations exceeded total actual receipts.	No	Not Corrected. We reported this Finding in the Management Letter.
2003-006	Ohio Revised Code § 5705.39, appropriations exceeded estimated resources, while disbursements exceeded the actual revenue available, resulting in a deficit balance.	No	Not Corrected. This was reissued as Finding No. 2005-005.
2003-007	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not Corrected. This was reissued as Finding No. 2005-007.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF CAMPBELL**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 14, 2009**