



Mary Taylor, CPA  
Auditor of State



CITY OF CAMPBELL  
MAHONING COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	22

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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 City of Campbell, Mahoning County, (the City) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances for the City of Campbell, Mahoning County, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 9 to the financial statements, the City has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007, 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 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.

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

**Mary Taylor, CPA**  
Auditor of State

May 17, 2007

**CITY OF CAMPBELL  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$1,739,858	\$166,666		\$1,906,524
Intergovernmental Receipts	396,575	554,189		950,764
Charges for Services	45,180	16,714		61,894
Fines, Licenses, and Permits	186,320	66,673		252,993
Miscellaneous	176,538	13,031	\$1,650	191,219
<b>Total Cash Receipts</b>	<u>2,544,471</u>	<u>817,273</u>	<u>1,650</u>	<u>3,363,394</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,780,525	17,132		1,797,657
Public Health Services	46,424			46,424
Leisure Time Activities		101,569	3,508	105,077
Community Environment		162,279		162,279
Transportation		391,008		391,008
General Government	971,875	25,707		997,582
Debt Service:				
Principal Payments	42,361	48,553		90,914
Interest Payments	36,279	12,287		48,566
Capital Outlay		25,080		25,080
<b>Total Disbursements</b>	<u>2,877,464</u>	<u>783,615</u>	<u>3,508</u>	<u>3,664,587</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(332,993)</u>	<u>33,658</u>	<u>(1,858)</u>	<u>(301,193)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes		70,000		70,000
Other Financing Receipts	1,660			1,660
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>1,660</u>	<u>70,000</u>		<u>71,660</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(331,333)	103,658	(1,858)	(229,533)
Fund Cash Balances January 1	(220,083)	159,640	44,478	(15,965)
<b>Fund Cash Balances, December 31</b>	<u><b>(\$551,416)</b></u>	<u><b>\$263,298</b></u>	<u><b>\$42,620</b></u>	<u><b>(\$245,498)</b></u>
Reserves for Encumbrances, December 31	<u>\$142,726</u>	<u>\$29,802</u>	<u>\$800</u>	<u>\$173,328</u>

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,429,997		\$1,429,997
Miscellaneous	17,289		17,289
<b>Total Operating Cash Receipts</b>	<u>1,447,286</u>		<u>1,447,286</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	597,032		597,032
Contractual Services	350,388	\$45,175	395,563
Supplies and Materials	213,112		213,112
Miscellaneous	10,183		10,183
<b>Total Operating Cash Disbursements</b>	<u>1,170,715</u>	<u>45,175</u>	<u>1,215,890</u>
Operating Income/(Loss)	<u>276,571</u>	<u>(45,175)</u>	<u>231,396</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		1,643,076	1,643,076
<b>Total Non-Operating Cash Receipts</b>		<u>1,643,076</u>	<u>1,643,076</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	290,608		290,608
Other Non-Operating Cash Disbursements		1,543,966	1,543,966
<b>Total Non-Operating Cash Disbursements</b>	<u>290,608</u>	<u>1,543,966</u>	<u>1,834,574</u>
Net Receipts Over/(Under) Disbursements	(14,037)	53,935	39,898
Fund Cash Balances, January 1	<u>(52,204)</u>	<u>338,988</u>	<u>286,784</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$66,241)</b></u>	<u><b>\$392,923</b></u>	<u><b>\$326,682</b></u>
Reserve for Encumbrances, December 31	<u>\$85,254</u>		<u>\$85,254</u>

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



**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Cash and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

**3. Capital Project Funds**

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

*Parks Improvement Fund* - This fund received moneys from the sale of monumental bricks and benches that were displayed in Roosevelt park. The moneys are being used for improvements to the park.

**4. Enterprise Funds**

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

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

*Water Capital Improvement Fund* - This fund receives utility surcharges for the retirement of Ohio Water Development Authority loans and Ohio Public Works Commission loans which were obtained for various water improvements, and for various water system capital improvements.

**5. Fiduciary Funds (Trust and Agency Funds)**

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

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

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The City did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)**

	<u>2003</u>
Demand deposits	<u>\$47,041</u>
Total deposits	<u>47,041</u>
National City Bank Repurchase Agreement	502
Armada Treasury Money Market	<u>33,641</u>
Total investments	<u>34,143</u>
Total deposits and investments	<u><u>\$81,184</u></u>

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

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,060,800	\$2,546,131	(\$514,669)
Special Revenue	988,400	887,273	(101,127)
Capital Projects	546,000	1,650	(544,350)
Enterprise	1,755,500	1,447,286	(308,214)
Agency	20,000	20,545	545
Total	<u>\$6,370,700</u>	<u>\$4,902,885</u>	<u>(\$1,467,815)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,056,270	\$3,020,190	\$36,080
Special Revenue	1,127,040	813,417	313,623
Capital Projects	755,000	4,308	750,692
Enterprise	1,686,300	1,546,577	139,723
Agency	220,000	13,136	206,864
Total	<u>\$6,844,610</u>	<u>\$5,397,628</u>	<u>\$1,446,982</u>

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

Contrary to Ohio law, certified receipts were in excess of actual receipts while current appropriations exceeded the total actual receipts in the General fund, Street, Construction, Maintenance and Repair fund, State Highway Improvement fund, Area on Aging fund and Water fund for the period ending December 31, 2003. Also contrary to Ohio law, prior certification was not presented for several expenditures. Moreover, contrary to Ohio law, appropriations exceeded estimated resources in the Street, Construction, Maintenance and Repair fund for the period ending December 31, 2003. Furthermore, contrary to Ohio law, at December 31, 2003, the following funds had a cash deficit balance of: General fund \$551,416; Street, Construction Maintenance and Repair fund \$171,461; State Highway Improvement fund \$39,292; Land Revitalization fund \$92; Court Legal Research fund \$3,226; Area on Aging fund \$22,538, State Issue II fund \$31,986 and Water fund \$111,789.

**4. PROPERTY TAX**

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

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

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

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

**5. CITY INCOME TAX**

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

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

City Ordinance 89-8300 provides in part that ninety percent (90%) of the tax imposed is allocated to provide funds for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements. The remaining ten percent (10%) is allocated for the maintenance of the parks, playgrounds, and recreational facilities.

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,061,057	5.54%
Ohio Public Works Commission Loans	812,771	0.00%
Ohio Police & Fire Pension Fund Obligation	612,373	4.25%
Street Paving Project Loan	162,778	4.00%
Fire Truck Lease/Purchase Agreement	124,032	5.99%
Telephone System Replacement Lease/Purchase Agreement	8,775	7.54%
Tax Anticipation Note	70,000	4.00%
Total	<u>\$3,851,786</u>	

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

The City has two Ohio Public Works Commission (OPWC) loans that relate to water system improvements and water storage tank replacement, respectively. The OPWC has approved up to \$1,314,970 in loans to the City for these projects. The no interest loans will be repaid in semiannual installments of \$37,085 over periods ranging from 15 and 20 years. The City has borrowed the full amount authorized on these loans and the scheduled payment amount below reflects this. The loans are collateralized by water receipts.

The City incurred the Ohio Police and Fire Pension Fund obligation (OP&F) in 1968 to pay the State of Ohio's Police and Fire Pension Fund System difference between the accumulated assets maintained in the City's pension fund for it's Police and Firemen and the under provided actuarial pension liability at the time the City joined the System. This liability is a general obligation of the City.

The Street Paving Project loan for \$350,000 was issued during fiscal year 1999 for the purpose of paying the costs of improvements to various city streets including the paving thereof. The loan will be repaid in semiannual installments of \$30,317, including interest over a period of seven years. As of July 1, 2003, the interest rate changed from 5.55% to 4.00%. This resulted in a reduction of semiannual payments to \$29,522. These notes are backed by the full faith, credit and revenue of the City.

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

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

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**6. DEBT – (Continued)**

The Tax Anticipation Note for \$70,000 was issued during fiscal year 2003 for the purpose of returning safety forces personnel who were previously laid off. The City pledged the proceeds of the Safety Forces Levy for the retirement of the note. The note will be retired in fiscal year 2004 with semiannual principal payments of \$35,000 plus any accrued interest.

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>OP&amp;F</u>	<u>Street Paving Project Loan</u>
2004	168,482	74,170	35,476	59,044
2005	168,482	74,170	35,476	59,044
2006	168,482	74,170	35,476	56,303
2007	168,482	74,170	35,476	
2008-2012	842,409	320,321	177,380	
2013-2017	842,409	195,770	177,380	
2018-2022	842,409		177,380	
2023-2027	336,964		177,380	
2028-2032			157,923	
Total	<u>\$3,538,119</u>	<u>\$812,771</u>	<u>\$1,009,347</u>	<u>\$174,391</u>

<u>Year ending December 31:</u>	<u>Fire Truck Lease / Purchase Agreement</u>	<u>Telephone System Replacement Lease / Purchase Agreement</u>	<u>Tax Anticipation Note</u>
2004	\$35,786	\$7,378	\$72,100
2005	35,786	1,841	
2006	35,786		
2007	35,786		
Total	<u>\$143,144</u>	<u>\$9,219</u>	<u>\$72,100</u>

**7. RETIREMENT SYSTEMS**

The City's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**CITY OF CAMPBELL  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**7. RETIREMENT SYSTEMS – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2003, OP&F participants contributed 10% of their wages. For 2003, the City contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2003, OPERS members contributed 8.5% of their gross salaries and the City contributed an amount equaling 13.55% of participants' gross salaries. In addition, the City contributes an additional 4.5% of full time employees' gross salaries. The City has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The City has obtained commercial insurance for the following risks:

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

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

**9. SUBSEQUENT EVENTS**

In accordance with Ohio Revised Code Chapter 118, the City was placed under fiscal emergency by the Auditor of State on June 10, 2004. The declaration of fiscal emergency resulted from the City's total unprovided portion of aggregate deficit funds as of December 31, 2003.

As of December 31, 2003, the following funds had deficit fund balances: General Fund (\$551,416), State Issue II Fund (\$31,986), Area on Aging Fund (\$22,538), Street, Construction, Maintenance & Repair Fund (\$171,461), State Highway Fund (\$39,292), Land Revitalization Fund (\$92), Water (\$111,789), and Court Legal Research Fund (\$3,226).

In accordance with Chapter 118, a Financial Planning and Supervision Commission was established on July 28, 2004 to oversee all fiscal decisions and activities of the City. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. This Commission approved a financial recovery plan on December 14, 2004, which has 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 in accordance with the plan.





# 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 City of Campbell, Mahoning County, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 17, 2007, which noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B), and wherein we noted conditions raising substantial doubt about the City's ability to continue as a going concern. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2003-001 listed above to be a material weakness. In a separate letter to the City's management dated May 17, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 are described in the accompanying schedule of findings as items 2003-2002 through 2003-007. In a separate letter to the City's management dated May 17, 2007, we reported other matters related to noncompliance we deemed material.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and City Council. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

May 17, 2007

**CITY OF CAMPBELL  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

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

**FINDING NUMBER 2003-001**

**Material Weakness**

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

- Monthly cash reconciliations included incorrect fund and depository balances, and various reconciling items, including deposits in transit, outstanding checks, cash on hand and other reconciling items that were incorrect or not supported;
- Twenty-one checks we tested cleared the bank with check numbers that were different than the numbers reflected in the Disbursements Ledger;
- Outstanding checklist at December 31, 2003, contained fifty-six checks that were outstanding longer than one year;
- Eighteen receipts and disbursements we tested were reflected on the City's bank statements but not reflected in the Ledgers;
- Eight expenditures we tested cleared the bank at amounts that were different than the amounts posted to the Disbursements Ledger;
- The total amount of the City's Receipts and Expenditures Ledgers did not agree to the total amounts reflected in their Annual Financial Reports;
- Sixty-four receipts and disbursements we tested were incorrectly or not posted to the Ledgers;
- Beginning cash fund balance as reflected on the City's Annual Report did not agree to the prior year's ending cash fund balances in eight of the City's thirty-four funds;
- The City's depository balance exceeded its cash fund balance as of December 31, 2003 by \$1,660. The Finance Director adjusted the City's financial statements to correct this situation.

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

- The Finance Director should review the Cash Journal and Receipts and Expenditures Ledgers to ensure that transactions are posted to the appropriate fund and line-item, and that totals of the Cash Journal and Receipts and Expenditures Ledgers are compared for completeness and accuracy;
- 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;

**FINDING NUMBER 2003-001  
(Continued)**

- 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 money fund.

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.

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:**

Procedures are in place to correct or overcome the weaknesses indicated.

**FINDING NUMBER 2003-002**

**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 Section 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

**FINDING NUMBER 2003-002**  
**(Continued)**

**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.

The City, however, prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other legal administrative remedies may be taken against the City.

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

**Officials' Response:**

The City is currently preparing GASB look-a-like statements to comply. However, due to the cost involved for a determination and appraisal of all City owned assets and City's Fiscal Emergency Status, the City may never be able to fully comply.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

**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.

The City could not provide us with supporting documentation for check number 7506, dated July 28, 2003, in the amount of \$499.

In addition, the City could not provide us with the following:

- Council Resolution awarding the contract for the paving of the Roosevelt Park parking lot;
- Contract for the paving of the Roosevelt Park parking lot;
- Bid tabulations for the paving of the Roosevelt Park parking lot;
- Contract for the Wilson Avenue storm sewer cleaning project;
- Bid tabulations for the Wilson Avenue storm sewer cleaning project.

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

- Various bank statements;
- Accurate cash reconciliations and supporting documentation thereto;
- Financial statements;
- Revenue and expense audit trail reports;
- Various cancelled checks;
- Various debt agreements and amortization schedules;
- Supporting documentation to determine the origin of several receipts received by the City;
- Supporting documentation for reserve for encumbrances;

**FINDING NUMBER 2003-003  
(Continued)**

- List of all disbursements over \$1,000 that were subject to competitive bidding procedures as per City Charter;
- Public official bonds and insurance policies.
- Voucher packages for several disbursements;
- Supporting documentation for the payments made to PERS and OP&F.

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

**Officials' Response:**

The Director of Finance and the Clerk of Council (Mayor's Secretary) are developing procedures to better maintain records in a manner, which provides for improved filing and retrievability of records.

**FINDING NUMBER 2003-004**

**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, 2003, the City had the following deficit fund cash balance:

General.....	(\$551,416)
Street, Construction, Maintenance & Repair.....	(171,461)
State Highway Improvement .....	(39,292)
Land Revitalization .....	(92)
Court Legal Research .....	(3,226)
Area on Aging.....	(22,538)
State Issue II .....	(31,986)
Water.....	(111,789)

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:**

The Director of Finance monitors the status of the cash fund balances to prevent incurring of deficits. Copies of monthly cash fund balance reports are provided to the Mayor and Council monthly as correspondence from the Director of Finance to Council at regular Council meetings.

**FINDING NUMBER 2003-005**

**Noncompliance Citation**

**Ohio Revised Code § 5705.36** provides in part that upon determination by the fiscal officer of a taxing district that the revenue to be collected by the district will be less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency.

**FINDING NUMBER 2003-005  
 (Continued)**

The intent of this statutory requirement is to require a taxing district to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a “reduction” certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will incur.

The City’s certified receipts were in excess of actual receipts, while the current appropriations exceeded the total actual receipts, while a deficit cash fund balance existed at year end in the following funds, respectively:

2003 Fund	certified receipts over actual receipts by	current appropriations over total actual receipts	deficit cash fund balance
General	\$501,187	\$621,724	\$551,416
Street, Construction, Maintenance & Repair	127,417	240,797	171,461
State Highway Improvement	10,203	36,020	39,292
Area on Aging	13,072	24,347	22,538
Water	303,544	378,492	111,789

We recommend the City obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will become less than the amounts estimated.

**Officials’ Response:**

The City Of Campbell is more closely monitoring receipts to more realistically match certified receipts.

The City Of Campbell is making a serious attempt to keep appropriations within actual receipts and or carry over balances. However, it is difficult with a Charter provision that requires three readings of appropriations measures at regular Council Meetings in order to adopt or amend appropriations. Accordingly, estimates have to be made by the middle of November and submitted to Council before the second meeting in November, and can not be changed after the second reading.

**FINDING NUMBER 2003-006**

**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.

Appropriations exceeded estimated resources in the Street, Construction, Maintenance and Repair fund by \$113,380 for fiscal year 2003. This situation lead to disbursements within said fund exceeding the actual revenue available, and resulted in a deficit fund balance at December 31, 2003 of \$171,461.

**FINDING NUMBER 2003-006  
(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:**

The City Of Campbell is developing procedures to eliminate the finding.

**FINDING NUMBER 2003-007**

**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 \$1,000 (\$3,000 after April 7, 2003) 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.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority after September 26, 2003) against any specific line item account over a period not exceeding three months or 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.

Twenty out of twenty expenditures tested for fiscal year 2003, 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.



**FINDING NUMBER 2003-007  
(Continued)**

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:**

The Director of Finance has disseminated directives to reduce and eliminate individuals from committing the City to expenditures without prior, written, fiscal officer approval/certification. Additional, more stern procedures/directives will be publicly disseminated to obtain better compliance from "holdout" personnel and departments who think that Ohio Revised Code Section 5705.41(D) does not apply to them.

**CITY OF CAMPBELL  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Finding for Recovery for public monies illegally expended.	Yes	
2002-002	Finding for Recovery for public monies illegally expended.	Yes	
2002-003	Finding for Recovery for public monies illegally expended.	Yes	
2002-004	Financial reporting system material weakness.	No	Not Corrected. This was reissued as Finding No. 2003-001.
2002-005	Ohio Administrative Code 117-2-03(B), City did not prepare its annual report in accordance with accounting principles generally accepted in the United States of America.	No	Not Corrected. This was reissued as Finding No. 2003-002.
2002-006	Ohio Revised Code § 149.43, failure to properly furnish documents.	No	Not Corrected. This was reissued as Finding No. 2003-003.
2002-007	Ohio Revised Code § 5705.10, deficit spending.	No	Not Corrected. This was reissued as Finding No. 2003-004.
2002-008	Ohio Revised Code § 5705.14, .15, and .16 failure to properly transfer money.	Yes	
2002-009	Ohio Revised Code § 5705.36, certified receipts in excess of actual receipts while appropriations exceeded total actual receipts resulted in a deficit spending.	No	Not Corrected. This was reissued as Finding No. 2003-005.
2002-010	Ohio Revised Code § 5705.41(B), disbursements and encumbrances exceeded appropriations and carryover encumbrances.	No	Not Corrected. We reported this Finding in the Management Letter.
2002-011	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not Corrected. This was reissued as Finding No. 2003-007.
2002-012	Administrative charges did not contain adequate approval nor supporting documentation.	Yes	



**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  
JULY 12, 2007**