



Mary Taylor, CPA
Auditor of State

**CITY OF CAMPBELL
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Modified Cash Basis – December 31, 2007	13
Statement of Activities – Modified Cash Basis – For the Year Ended December 31, 2007	14
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2007.....	16
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds – For the Year Ended December 31, 2007	17
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund – For the Year Ended December 31, 2007	18
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Budget Basis) –Park Fund – For the Year Ended December 31, 2007	19
Statement of Fund Net Assets – Modified Cash Basis – Enterprise Funds - December 31, 2007	20
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Modified Cash Basis - Enterprise Funds – For the Year Ended December 31, 2007	21
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis – Agency Funds - December 31, 2007	22
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Schedule of Findings.....	41
Schedule of Prior Audit Findings.....	45

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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, 2007 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 modified 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 modified 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, 2007, and the respective changes in modified cash financial position and the budgetary comparison for the General and Park funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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 August 30, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental 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.

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

Mary Taylor, CPA
Auditor of State

August 30, 2010

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of the City of Campbell's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

The City faced numerous challenges during 2007. The major challenges were to reduce expenditures in the general fund, street fund and water operating fund as well as maintain a balanced budget in all other funds.

- The City of Campbell utilized the services of the Regional Income Tax Agency (R.I.T.A.) during 2007. R.I.T.A. administers and collects the City's income taxes as of January 1, 2005. As a result, income tax collections for the City's general fund are remaining consistent with the prior year; due in part to accelerated collections of delinquencies, collecting from prior non-filers, and enforcing payment of quarterly estimated taxes by individuals.
- Major Grants: The major grants received by the City are CDBG, CHIP and Small Cities Formula Allocation Grants.

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 modified 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.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the City of Campbell as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the City did financially during 2007, within the limitations of modified 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.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 non-financial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, 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 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 the 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.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the City's 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 thirty-five 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 fund) 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 to 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.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The City as a Whole

Table 1 provides a summary of the City's net assets for 2007 compared to 2006 on a modified cash basis:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,646,847	\$1,047,804	\$333,950	\$235,435	\$1,980,797	\$1,283,239
Investments	13,935	23,346	0	0	13,935	23,346
Total Assets	1,660,782	1,071,150	333,950	235,435	1,994,732	1,306,585
Net Assets						
Restricted for:						
Capital Projects	145,526	70,401	0	0	145,526	70,401
Other Purposes	1,039,862	830,850	0	0	1,039,862	830,850
Unrestricted (Deficit)	475,394	169,899	333,950	235,435	809,344	405,334
Total Net Assets	\$1,660,782	\$1,071,150	\$333,950	\$235,435	\$1,994,732	\$1,306,585

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Net assets of governmental activities increased by \$589,632 or 55.05 percent during 2007. The primary reasons contributing to the increases in cash balances are an increase in income taxes and estate taxes received, and reductions in hospitalization and other employee benefit costs as a result of staff reductions and retirements.

Table 2 reflects the changes in net assets in 2007 from 2006.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services and Sales	\$562,640	\$574,329	\$1,602,113	\$1,594,541	\$2,164,753	\$2,168,870
Operating Grants and Contributions	1,101,347	815,460	0	0	1,101,347	815,460
Capital Grants and Contributions	42,948	493,678	0	0	42,948	493,678
Total Program Revenues	1,706,935	1,883,467	1,602,113	1,594,541	3,309,048	3,478,008
General Revenues						
Property Taxes	413,612	411,701	0	0	413,612	411,701
Income Taxes	1,799,528	1,827,148	0	0	1,799,528	1,827,148
Grants and Entitlements	534,326	653,375	0	0	534,326	653,375
Investment Earnings	75,972	40,940	13,681	11,589	89,653	52,529
Miscellaneous	7,572	0	14,405	7,889	21,977	7,889
Total General Revenues	2,831,010	2,933,164	28,086	19,478	2,859,096	2,952,642
<i>Total Revenues</i>	4,537,945	4,816,631	1,630,199	1,614,019	6,168,144	6,430,650
Program Expenses						
General Government	962,255	942,479	0	0	962,255	942,479
Security of Persons and Property:						
Police	1,085,829	1,178,953	0	0	1,085,829	1,178,953
Fire	434,568	494,762	0	0	434,568	494,762
Leisure Time Activities	161,177	151,066	0	0	161,177	151,066
Community Environment	615,307	399,261	0	0	615,307	399,261
Transportation	496,413	780,439	0	0	496,413	780,439
Principal Retirement	129,602	180,945	0	0	129,602	180,945
Interest and Fiscal Charges	63,162	37,187	0	0	63,162	37,187
Water	0	0	1,531,684	1,580,331	1,531,684	1,580,331
Sewer	0	0	0	0	0	0
Total Program Expenses	3,948,313	4,165,092	1,531,684	1,580,331	5,479,997	5,745,423
Change in Net Assets	589,632	651,539	98,515	33,688	688,147	685,227
Net Assets Beginning of Year	1,071,150	419,611	235,435	201,747	1,306,585	621,358
Net Assets End of Year	\$1,660,782	\$1,071,150	\$333,950	\$235,435	\$1,994,732	\$1,306,585

Program revenues represent only 53.65 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. In addition, 48.42 percent of program revenue receipts are revenues received in the water fund for water usage.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

General receipts represent 46.35 percent of the total receipts, and of this amount, over 77.41 percent are taxes. Grants and entitlements not restricted for any purpose make up 18.69 percent of general receipts. Investment earnings and miscellaneous receipts 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 mills Safety Forces Levy provides approximately \$200,000 net of County Auditor and Treasurer's fees annually, allocated \$100,000 each to offset salaries from the Police and Fire Departments.

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, and payments on the prior accrued liability for the 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 and OPWC payments during the year.

The decrease in governmental liabilities was due to no issuance of Local Government Fund Notes during 2007 that were used to reduce the amounts of unpaid accounts payable and reduce deficits. The only expenditures during 2007 were for that year's services and not unpaid accounts payable from prior years.

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 general government, security of persons and property, leisure time activities, community environment and transportation. General governmental expenditures account for 24.37 percent of all governmental disbursements. Security of persons and property, leisure time activities, community environment, transportation and debt service account for 38.51 percent, 4.08 percent, 15.58 percent, 12.57 percent and 4.88 percent, respectively, of governmental expenditures. The next three columns of the Statement of Activities entitled Program Cash Receipts identify the 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

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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 presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost of service is presented in Table 3.

(Table 3)

	Governmental and Business- Type Activities		Governmental and Business- Type Activities	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$962,255	\$763,496	\$942,479	\$721,362
Security of Persons and Property				
Police	1,085,829	850,359	1,178,953	913,955
Fire	434,568	359,952	494,762	403,507
Leisure Time Activities	161,177	139,442	151,066	138,426
Community Environment	615,307	(4,657)	399,261	(43,660)
Transportation	496,413	(59,978)	780,439	(70,097)
Principal Retirement	129,602	129,602	180,945	180,945
Interest and Fiscal Charges	63,162	63,162	37,187	37,187
Water	1,531,684	(70,429)	1,580,331	(14,210)
<i>Total Expenses</i>	<u>\$5,479,997</u>	<u>\$2,170,949</u>	<u>\$5,745,423</u>	<u>\$2,267,415</u>

The dependence upon property and income tax receipts is apparent as over \$2,213,140, or 56.05 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 it generated \$1,799,528 in revenue for 2007, accounting for approximately 39.66 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 Parks operating fund. Unrestricted state shared revenues (local government funds) received through the County for 2007 were \$534,326 and represent about 11.77 percent of governmental activities revenue.

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 the lack of jobs.

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

- A decrease in income taxes of approximately \$27,620, due to a greater portion of the population being retired and subject to lower tax rates from 2006 to 2007.
- A decrease in Local Government Funding received directly from the State and County from 2006 to 2007 of \$119,049 or 18.22 percent.

The City’s Street Department (transportation) accounted for 12.57 percent of the expenses in the governmental activities or about \$496,413.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Business-Type Activities

The water operation of the Government is relatively small and routinely reports receipts and cash disbursements that 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's Funds

Information about the City's governmental funds begins on page 16. All governmental funds had revenues of \$4,537,945 and expenditures of \$3,948,313. The funds are monitored monthly with adjustments made periodically during the year in budgets to accommodate yearly revenues.

The general fund had receipts of \$2,791,082 and cash disbursements of \$2,485,587 and encumbrances of \$148,096. The decrease in the cumulative deficit was attributable to the results of staffing reductions in 2006 and an overall reduction in expenditures. The City was still constrained on further reductions 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 \$1,616,518, which exceeded operating expenses of \$1,266,586 by \$349,932, or 21.65 percent of operating revenues. The excess in revenues over expenditures was due in large part to an increase in receipt of unpaid bills and an increase in water rates. This excess is offset by the principal and interest payments on the water plant outstanding debt which causes an actual increase in net assets of \$98,515.

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 on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2007, the City amended its general fund budget to reflect changing circumstances. Final budgeted expenditures were \$2,600,702. Actual expenditures were \$2,474,235, or \$126,467 less than anticipated expenditures primarily due to controlling general government costs.

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.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Long-term Obligations

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Local Governmental Fund Notes	\$514,003	\$599,006	\$0	\$0	\$514,003	\$599,006
Long-term Loan	0	0	0	0	0	0
OWDA Loans	0	0	1,953,038	2,031,697	1,953,038	2,031,697
OPWC Loans	0	0	664,431	738,601	664,431	738,601
Capital Leases	0	33,764	0	0	0	33,764
Police and Fire Pension	571,637	582,472	0	0	571,637	582,472
Total	\$1,085,640	\$1,215,242	\$2,617,469	\$2,770,298	\$3,703,109	\$3,985,540

Governmental activities have 29.32 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 fire truck. The long-term loan was issued for street paving projects throughout the City. For the business-type funds, the debt was issued for the water system improvements and a water storage tank replacement.

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

Current Financial Related Activities

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

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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 Sherman Miles, Director of Finance, 351 Tenney Avenue, Campbell, Ohio 44405, telephone 330-755-9863.

City of Campbell, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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City of Campbell, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,646,847	\$333,950	\$1,980,797
Investments	13,935	0	13,935
<i>Total Assets</i>	<u>1,660,782</u>	<u>333,950</u>	<u>1,994,732</u>
Net Assets			
Restricted for:			
Capital Projects	145,526	0	145,526
Other Purposes	1,039,862	0	1,039,862
Unrestricted	475,394	333,950	809,344
<i>Total Net Assets</i>	<u>\$1,660,782</u>	<u>\$333,950</u>	<u>\$1,994,732</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$962,255	\$192,981	\$5,778	\$0
Security of Persons and Property:				
Police	1,085,829	225,405	10,065	0
Fire	434,568	72,124	2,492	0
Leisure Time Activities	161,177	21,735	0	0
Community Environment	615,307	6,545	608,962	4,457
Transportation	496,413	43,850	474,050	38,491
Principal Retirement	129,602	0	0	0
Interest and Fiscal Charges	63,162	0	0	0
<i>Total Governmental Activities</i>	3,948,313	562,640	1,101,347	42,948
Business-Type Activities				
Water	1,531,684	1,602,113	0	0
<i>Total</i>	\$5,479,997	\$2,164,753	\$1,101,347	\$42,948

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

Investment Earnings

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$763,496)	\$0	(\$763,496)
(850,359)	0	(850,359)
(359,952)	0	(359,952)
(139,442)	0	(139,442)
4,657	0	4,657
59,978	0	59,978
(129,602)	0	(129,602)
(63,162)	0	(63,162)
(2,241,378)	0	(2,241,378)
0	70,429	70,429
(2,241,378)	70,429	(2,170,949)
231,432	0	231,432
182,180	0	182,180
1,619,575	0	1,619,575
179,953	0	179,953
534,326	0	534,326
75,972	13,681	89,653
7,572	14,405	21,977
2,831,010	28,086	2,859,096
589,632	98,515	688,147
1,071,150	235,435	1,306,585
\$1,660,782	\$333,950	\$1,994,732

City of Campbell, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Park</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$475,394	\$377,461	\$793,992	\$1,646,847
Investments	<u>0</u>	<u>0</u>	<u>13,935</u>	<u>13,935</u>
<i>Total Assets</i>	<u><u>475,394</u></u>	<u><u>377,461</u></u>	<u><u>807,927</u></u>	<u><u>1,660,782</u></u>
Fund Balances				
Reserved for Encumbrances	148,096	4,229	497,872	650,197
Unreserved, Undesignated, Reported in:				
General Fund	327,298	0	0	327,298
Special Revenue Funds	0	373,232	457,363	830,595
Capital Projects Funds (Deficit)	<u>0</u>	<u>0</u>	<u>(147,308)</u>	<u>(147,308)</u>
<i>Total Fund Balances</i>	<u><u>\$475,394</u></u>	<u><u>\$377,461</u></u>	<u><u>\$807,927</u></u>	<u><u>\$1,660,782</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Park	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$187,605	\$0	\$226,007	\$413,612
Income Taxes	1,619,575	179,953	0	1,799,528
Intergovernmental	516,612	0	1,154,789	1,671,401
Investment Earnings	29,246	0	46,726	75,972
Charges for Services	50,042	12,735	0	62,777
Fines, Licenses and Permits	380,550	0	110,312	490,862
Contributions and Donations	0	9,000	7,221	16,221
Miscellaneous	7,452	70	50	7,572
<i>Total Receipts</i>	<u>2,791,082</u>	<u>201,758</u>	<u>1,545,105</u>	<u>4,537,945</u>
Disbursements				
Current:				
General Government	889,774	0	72,481	962,255
Security of Persons and Property:				
Police	941,382	0	144,447	1,085,829
Fire	333,396	0	101,172	434,568
Leisure Time Activities	0	161,177	0	161,177
Community Environment	0	0	615,307	615,307
Transportation	0	0	496,413	496,413
Debt Service:				
Principal Retirement	123,067	0	6,535	129,602
Interest and Fiscal Charges	38,520	0	24,642	63,162
<i>Total Disbursements</i>	<u>2,326,139</u>	<u>161,177</u>	<u>1,460,997</u>	<u>3,948,313</u>
<i>Excess of Receipts Over Disbursements</i>	<u>464,943</u>	<u>40,581</u>	<u>84,108</u>	<u>589,632</u>
Other Financing Sources (Uses)				
Transfer In	0	0	169,448	169,448
Transfer Out	(159,448)	0	(10,000)	(169,448)
<i>Total Other Financing Sources (Uses)</i>	<u>(159,448)</u>	<u>0</u>	<u>159,448</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	305,495	40,581	243,556	589,632
<i>Fund Balances Beginning of Year</i>	<u>169,899</u>	<u>336,880</u>	<u>564,371</u>	<u>1,071,150</u>
<i>Fund Balances End of Year</i>	<u><u>\$475,394</u></u>	<u><u>\$377,461</u></u>	<u><u>\$807,927</u></u>	<u><u>\$1,660,782</u></u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$147,960	\$147,960	\$187,605	\$39,645
Income Taxes	1,277,324	1,277,324	1,619,575	342,251
Intergovernmental	407,441	407,441	516,612	109,171
Investment Earnings	23,066	23,066	29,246	6,180
Charges for Services	39,467	39,467	50,042	10,575
Fines, Licenses and Permits	300,132	300,132	380,550	80,418
Donations	5,876	5,876	7,452	1,576
<i>Total Revenues</i>	2,201,266	2,201,266	2,791,082	589,816
Expenditures				
Current:				
General Government	1,045,298	1,059,146	1,037,870	21,276
Security of Persons and Property:				
Police	1,040,541	970,324	941,382	28,942
Fire	292,659	364,645	333,396	31,249
Community Environment	30,000	45,000	0	45,000
Debt Service:				
Principal Retirement	33,764	123,067	123,067	0
Interest and Fiscal Charges	2,022	38,520	38,520	0
<i>Total Expenditures</i>	2,444,284	2,600,702	2,474,235	126,467
<i>Excess of Revenues Under Expenditures</i>	(243,018)	(399,436)	316,847	716,283
Other Financing Uses				
Transfers Out	(12,098)	(164,426)	(159,448)	4,978
<i>Net Change in Fund Balance</i>	(255,116)	(563,862)	157,399	721,261
<i>Fund Deficit Beginning of Year</i>	93,841	93,841	93,841	0
Prior Year Encumbrances Appropriated	76,058	76,058	76,058	0
<i>Fund Balance (Deficit) End of Year</i>	(\$85,217)	(\$393,963)	\$327,298	\$721,261

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Park Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$174,170	\$174,170	\$179,953	\$5,783
Charges for Services	13,000	13,000	12,735	(265)
Contributions and Donations	9,000	9,000	9,000	0
Miscellaneous	0	0	70	70
<i>Total Revenues</i>	196,170	196,170	201,758	5,588
Expenditures				
Current:				
Leisure Time Activities	257,921	257,921	165,406	92,515
<i>Total Expenditures</i>	257,921	257,921	165,406	92,515
<i>Excess of Revenues Over Expenditures</i>	(61,751)	(61,751)	36,352	98,103
<i>Fund Balance Beginning of Year</i>	336,579	336,579	336,579	0
Prior Year Encumbrances Appropriated	301	301	301	0
<i>Fund Balance End of Year</i>	<u>\$275,129</u>	<u>\$275,129</u>	<u>\$373,232</u>	<u>\$98,103</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$331,963</u>	<u>\$1,987</u>	<u>\$333,950</u>
Net Assets			
Unrestricted	<u>\$331,963</u>	<u>\$1,987</u>	<u>\$333,950</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2007*

	Water	Sewer	Total
Operating Receipts			
Charges for Services	\$1,602,113	\$0	\$1,602,113
Miscellaneous	14,405	0	14,405
<i>Total Operating Receipts</i>	<u>1,616,518</u>	<u>0</u>	<u>1,616,518</u>
Operating Disbursements			
Personal Services	440,687	0	440,687
Fringe Benefits	235,394	0	235,394
Contractual Services	391,892	0	391,892
Materials and Supplies	131,133	0	131,133
Capital Outlay	46,904	0	46,904
Miscellaneous	20,576	0	20,576
<i>Total Operating Disbursements</i>	<u>1,266,586</u>	<u>0</u>	<u>1,266,586</u>
<i>Operating Income</i>	<u>349,932</u>	<u>0</u>	<u>349,932</u>
Non-Operating Receipts (Disbursements)			
Investment Earnings	13,681	0	13,681
Redemption of Principal	(152,829)	0	(152,829)
Interest and Fiscal Charges	(112,269)	0	(112,269)
<i>Total Non-Operating Disbursements</i>	<u>(251,417)</u>	<u>0</u>	<u>(251,417)</u>
<i>Change in Net Assets</i>	98,515	0	98,515
<i>Net Assets Beginning of Year</i>	<u>233,448</u>	<u>1,987</u>	<u>235,435</u>
<i>Net Assets End of Year</i>	<u>\$331,963</u>	<u>\$1,987</u>	<u>\$333,950</u>

See accompanying notes to the basic financial statements

City of Campbell, Ohio
Statement of Fiduciary Assets and Liabilities - Modified Cash Basis
Agency Funds
December 31, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	\$363,007
Cash and Cash Equivalents in Segregated Accounts	<u>83,099</u>
<i>Total Assets</i>	<u><u>\$446,106</u></u>
 Liabilities	
Due to Others	\$132,513
Due to Other Governments	<u>313,593</u>
<i>Total Liabilities</i>	<u><u>\$446,106</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, 2007

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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB)

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified 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 modified 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, 2007

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.

Park Fund The park fund accounts for income tax proceeds and user charges received from the citizens of the City. Expenditures are restricted to projects within in the park.

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 modified 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 modified 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".

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$29,246, \$11,169 of which was assigned from other City funds.

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 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 modified cash basis of accounting.

H. Long-term Obligations

The City's modified 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 \$1,185,388 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, 2007

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. 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 modified 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 budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the City is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 would therefore be presented only for funds which did not contribute to the City being placed in fiscal emergency.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 –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 modified cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The general fund and the park special revenue fund encumbrances outstanding at year end (budgetary basis) amounted to \$148,096 and \$4,229, respectively.

Note 5 - 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.

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;

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in the division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio);

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of 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, \$2,419,347 of the City's bank balance of \$2,699,756 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.

Investments

Investments are reported at fair value. As of December 31, 2007, the City had an investment in a no load money market mutual fund for \$13,935.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase, unless they are matched to a specific obligation or debt of the City, and that the City's investment portfolio be structured so that securities mature to meet cash

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The no load money market mutual fund carries a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities of the repurchase agreement are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Note 6 – 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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be paid 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 September 20.

The full tax rate for all City operations for the year ended December 31, 2007 was \$6.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Real Property	
Residential/Agricultural	\$70,308,270
Other Real Estate	6,917,890
Public Utility Personal Property	2,619,360
Tangible Personal Property	<u>2,180,077</u>
Total	<u><u>\$82,025,597</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 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 2007, the proceeds were allocated ninety percent to the general fund and ten percent to the park special revenue fund.

Note 7 - 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, 2007.

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.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 - 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 2007, 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	19,144,971	1,000
Electronic Data Processing	122,000	500
Crime	52,100	100
Fleet Vehicle		
Physical Damage	50,000	500
Liability	2,000,000	500

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

Healthcare is provided through United Healthcare with single coverage of \$391.48 per month, husband and wife coverage of \$853.41 per month, parent and child coverage of \$672.96 per month and full family coverage of \$1,216.29 per month.

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 9 - 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) 222-5601 or (800) 222-7377.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 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. The employer's contribution rate for pension benefits for 2006 was 13.77 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 17.17 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, 2007, 2006, and 2005 were \$97,201, \$103,476, and \$91,386 respectively; 69.25 percent has been contributed for 2007 and 100 percent for 2006 and 2005. There were no contributions to the member-directed plans for 2007.

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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$86,167 and \$46,020 for the year ended December 31, 2007, \$76,885 and \$45,429 for the year ended December 31, 2006 and \$72,360 and \$56,260 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 72.75 percent and 74.81 percent has been contributed for 2007.

Note 10 – 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. 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 2007 local government employer contribution rate was 13.77 percent of covered payroll (17.17 percent for public safety and law enforcement); 5.0 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007.

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, 2005, include a rate of return on investments of 6.5 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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

premiums were assumed to increase between .50 and 6 percent annually for the next nine years and 4 percent annually after nine 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual City contributions for 2007 which were used to fund postemployment benefits were \$64,091. 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, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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, January 1, 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

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 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 2006 and 6.75 percent of covered payroll during 2007. 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 2007 that were used to fund postemployment health care benefits were \$49,475 for police and \$19,099 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available), was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police and 10,563 for firefighters.

Note 11 –Leases

The City had a lease for a fire truck. The City disbursed \$35,786 to pay lease costs for the year ended December 31, 2007. The payment was comprised of \$33,764 in principal and \$2,022 in interest.

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 12 - 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
Governmental Activities			
<i>Local Government Fund Notes - 2005</i>	6.23%	\$746,939	2012
Business-Type Activities			
<i>OWDA Loans</i>			
Water Treatment Plant - 2000	5.16 - 5.54%	2,421,417	2024
<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:

	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Amounts Due in One Year
Governmental Activities					
<i>Local Government Fund Notes</i>	\$599,006	\$0	(\$85,003)	\$514,003	\$90,364
<i>Other</i>					
Police and Fire Pension	582,472	0	(10,835)	571,637	11,300
Fire Truck Lease	33,764	0	(33,764)	0	0
Total Governmental Activities	\$1,215,242	\$0	(\$129,602)	\$1,085,640	\$101,664
Business-Type Activities					
<i>OWDA Loans</i>					
Water Treatment Plant	\$2,031,697	\$0	(\$78,659)	\$1,953,038	\$82,970
<i>OPWC Loans</i>					
Liberty Sewer Water Tank	587,011	0	(40,483)	546,528	40,484
Water System Improvement	151,590	0	(33,687)	117,903	33,687
Total OPWC Loans	738,601	0	(74,170)	664,431	74,171
Total Business-Type Activities	\$2,770,298	\$0	(\$152,829)	\$2,617,469	\$157,141

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

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City's overall legal debt margin was \$8,098,685 with an unvoted debt margin of \$3,997,405 at December 31, 2007. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

	Local Government		Police and Fire	
	Fund Notes		Pension Liability	
	Principal	Interest	Principal	Interest
2008	\$90,364	\$5,628	\$11,300	\$24,176
2009	96,252	5,995	11,786	23,690
2010	102,426	6,379	12,292	23,184
2011	108,995	6,788	12,820	22,656
2012	115,966	7,222	13,371	22,106
2013 - 2017	0	0	75,975	101,405
2018 - 2022	0	0	93,755	83,625
2023 - 2027	0	0	115,697	61,683
2028 -2032	0	0	142,770	34,611
2033 -2037	0	0	81,871	5,227
Total	\$514,003	\$32,012	\$571,637	\$402,363

	Loan		Loans
	Principal	Interest	Principal
2008	\$82,970	\$107,513	\$74,171
2009	87,519	102,965	74,171
2010	92,315	98,170	74,171
2011	97,375	93,109	57,327
2012	102,712	87,771	40,484
2013 - 2017	534,042	352,371	202,420
2018 - 2022	645,207	197,200	141,687
2023 - 2025	310,898	26,067	0
Total	\$1,953,038	\$1,065,166	\$664,431

City of Campbell, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 13 – Interfund Transfers

During 2007, the following transfers were made:

Transfers In	Transfers Out		Total
	General	Revolving Loan	
<i>Governmental Activities:</i>			
Area on Aging	\$12,500	\$0	\$12,500
Street Construction, Maintenance and Repair	17,100	0	17,100
Community Development	10,000	0	10,000
State Issue II	119,848	10,000	129,848
Total Transfers	\$159,448	\$10,000	\$169,448

The transfers to the area on aging, street construction, maintenance and repair and community development special revenue funds as well as the State issue II capital projects fund were to eliminate the deficit fund balances.

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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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2010 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 the purpose of expressing our opinions 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2007-005 described in the accompanying schedule of findings to be a significant deficiency 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. We believe the significant deficiency described above to also be a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated August 30, 2010.

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, and 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 are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

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 August 30, 2010.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 30, 2010

**CITY OF CAMPBELL
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

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.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the City prepares its financial statements in accordance with 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 2007-002

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 budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority 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 issue:

- Appropriations exceeded estimated resources in the General Fund by \$551,764 for fiscal year 2007.

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 2007-003

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.

- 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.

20 out of 60 expenditures (33%) tested for the year ended December 31, 2007, 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.

**FINDING NUMBER 2007-003
(Continued)**

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 2007-004

Noncompliance Citation:

Charter of the City of Campbell, Ohio, § 5.04 provides the Director of Administration may, within the amounts and items appropriated by the Council, make purchases and enter into contracts on behalf of the City involving expenditures not in excess of one thousand dollars (\$1,000).

No contract involving expenditures in excess of one thousand dollars (\$1,000) shall be entered into without prior approval of the Board of Control. The Board of Control for consideration and awarding of contracts shall consist of the Mayor, Director of Administration, Director of Finance, and the Director of Law. All meetings of the Board of Control shall be open to the public.

No purchase or contract involving an expenditure of more than one thousand dollars (\$1,000) shall be made except with a qualified, responsible bidder submitting the lowest and best bid as determined by the Board of Control after advertising for bids in a newspaper of general circulation within the municipality on two successive weeks. The decision of the Board of Control as to the qualifications and responsibility of the bidder shall be final, provided the Board of Control acts in good faith. The Board of Control may reserve the right to reject any and all bids.

If is further provided, however, that the Board of Control may authorize contracts for personal services without advertising for bids and may authorize purchases or enter into contracts involving an expenditure of more than one thousand dollars (\$1,000) without advertising for bids if Council determines and declares by an affirmative vote of at least four (4) members that an emergency exists, sets forth the nature of the emergency in its ordinance or resolution, and appropriates the necessary funds.

Through review of the City's contractual expenditures, we noted the following:

30 out of 60 expenditures (50%) tested were subject to competitive bidding requirements, as set forth in the City's Charter; however, the City could not provide supporting documentation indicating competitive bidding procedures were properly followed pursuant to the Charter provision set forth above.

In addition, we identified three federal projects where the Board of Control did not approve the project, and the City only advertised for one week.

We recommend the City comply with the aforementioned Charter provision to ensure the City is obtaining the lowest and best bid available for expenditures exceeding \$1,000.

Officials' Response:

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

FINDING NUMBER 2007-005

Material Weakness

The City's computer system reflected the following deficiencies due to a lack of software (edit) controls:

1. The "run date" of various reports is reflected as the "report date" and the Finance Director has to subsequently stamp the "report date" on the printout. We noted this on the December 31, 2007 *Statement of Cash Position* report as well as the 2007 *Expense Audit Trail Report*.
2. Payroll check numbers reflected on the *Deduction Check Report* did not correspond to the same payroll check numbers in the (payroll) *Check Report*.
3. The same payroll check numbers reflected on the *Payroll Register* and (payroll) *Check Report* were being issued to different City employees.

The effect of the aforementioned computer control weaknesses resulted in the following:

1. We were unable to rely on the reports that were presented to document financial statement revenues and disbursements as presented on the City's financial statements.
2. We were unable to rely on the payroll expenditures as presented on the City's financial statements due to the discrepancies noted in the payroll reports as well as issues noted with employee payroll check numbers.

and therefore required a time consuming process to verify the audit assertions of accuracy and presentation with regards to the financial data. This consequently led to an increased audit cost. We ultimately placed no reliance on the computer environment controls.

Sound financial reporting is the responsibility of the finance officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the Finance Officer, to identify and correct errors and omissions. We also recommend that the City (with the assistance of their Fiscal Supervisor) explore the cost-effectiveness of updating their computer software by proceeding in the following manner:

1. Investigate other cities of comparable size and needs that currently have a computer system in place and request a summary of the benefits these cities have found with the computer system they are currently utilizing.
2. Preparing a list of the City's "needs". Explore available software vendors to identify a software package that meets the City's "needs". Prior to making the purchase, verify that similar entities utilizing the selected software have not had any problems with its use and ensure that it meets the requirements of accurate and reliable data and reports for managerial use and subsequent audit purposes.
3. Purchase new hardware that can run the software.

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, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	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. 2007-001.
2006-002	Ohio Revised Code § 5705.36 (A) (5) – appropriations exceeded estimated resources in the General fund.	No	Not Corrected. This was reissued as Finding No. 2007-002 under a different Ohio Revised Code section as the City did not have actual revenue available to permit the excess appropriations.
2006-003	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not Corrected. This was reissued as Finding No. 2007-003.
2006-004	City of Campbell Charter § 5.04 – charter provisions regarding purchases exceeding \$1,000.	No	Not Corrected. This was reissued as Finding No. 2007-004.
2006-005	Material weakness – Deficiencies noted in the City's computer system due to a lack of software (edit) controls.	No	Not Corrected. This was reissued as Finding No. 2007-005.



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
SEPTEMBER 28, 2010**