



**Auditor of State  
Betty Montgomery**



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Campbell City School District  
Mahoning County  
280 Sixth Street  
Campbell, Ohio 44405

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Permanent Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, during the year ended June 30, 2005, the District implemented revisions to the recognition of pension and other postemployment benefit expenditures/expenses and liabilities by cost sharing employers as provided for in Governmental Accounting Standards Board Technical Bulletin 2004-2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 31, 2006

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The management's discussion and analysis of the Campbell City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$2,175,170, which represents a 6.03% decrease from 2004.
- General revenues accounted for \$10,404,010 in revenue, or 78.89% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,784,787, or 21.11% of total revenues of \$13,188,797.
- The District had \$15,363,967 in expenses related to governmental activities; \$2,784,787 of these expenses were offset by program specific charges for services, and operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,404,010 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$11,120,206 in revenues and other financing sources and \$11,337,750 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased by \$217,544, from a deficit of \$354,732 to a deficit of \$572,276.

**Using these Basic Financial Statements**

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

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

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Restated Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,324,831	\$ 5,963,552
Capital assets	<u>39,321,166</u>	<u>39,841,782</u>
Total assets	<u>43,645,997</u>	<u>45,805,334</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,963,076	4,859,617
Long-term liabilities	<u>5,787,915</u>	<u>4,875,541</u>
Total liabilities	<u>9,750,991</u>	<u>9,735,158</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	34,198,058	35,654,028
Restricted	871,616	615,968
Unrestricted (deficit)	<u>(1,174,668)</u>	<u>(199,820)</u>
Total net assets	<u>\$ 33,895,006</u>	<u>\$ 36,070,176</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$33,895,006. Of this total, \$871,616 is restricted in use.

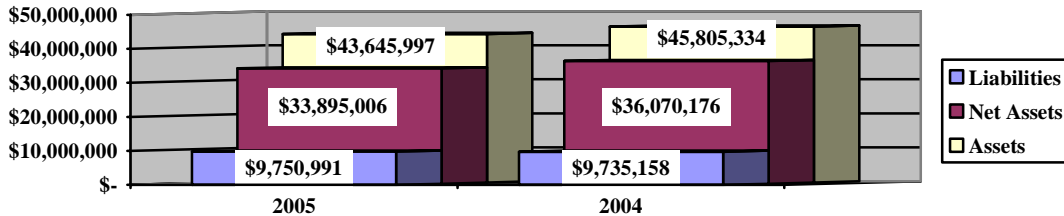
**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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At year-end, capital assets represented 90.09% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, and vehicles. At June 30, 2005, capital assets, net of related debt to acquire the assets were \$34,198,058. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$871,616, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,174,668.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Restated Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 283,288	\$ 203,323
Operating grants and contributions	2,501,499	2,635,711
Capital grants and contributions	-	42,025
General revenues:		
Property taxes	1,456,803	2,380,115
Grants and entitlements	8,908,662	8,419,368
Investment earnings	30,869	13,142
Other	7,676	54,808
<b>Total revenues</b>	<b>13,188,797</b>	<b>13,748,492</b>

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	Governmental Activities 2005	Restated Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,423,022	\$ 6,524,272
Special	2,017,997	1,975,933
Vocational	209,055	197,401
Other	176,238	169,615
Support services:		
Pupil	544,960	609,035
Instructional staff	633,804	494,944
Board of education	45,672	12,214
Administration	907,532	847,252
Fiscal	329,194	304,702
Business	56,781	53,434
Operations and maintenance	1,897,643	1,524,385
Pupil transportation	376,014	280,072
Central	-	1,091
Food service operations	634,997	641,678
Operations of non-instructional services	40,651	32,363
Extracurricular activities	594,903	476,719
Intergovernmental pass-through	70,099	61,371
Interest and fiscal charges	<u>405,405</u>	<u>222,321</u>
Total expenses	<u>15,363,967</u>	<u>14,428,802</u>
Change in net assets	(2,175,170)	\$ (680,310)
Net assets at beginning of year	<u>36,070,176</u>	<u>36,750,486</u>
Net assets at end of year	<u>\$ 33,895,006</u>	<u>\$ 36,070,176</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$2,175,170. Total governmental expenses of \$15,363,967 were offset by program revenues of \$2,784,787 and general revenues of \$10,404,010. Program revenues supported 18.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, unrestricted grants and entitlements, and operating grants and contributions. These revenue sources represent 97.56% of total governmental revenue.

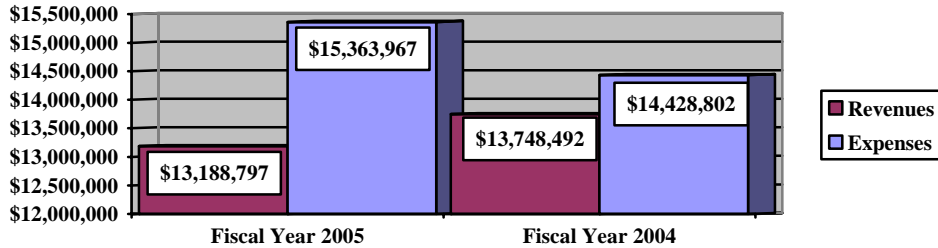
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,826,312, or 57.45%, of total governmental expenses for fiscal 2005.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

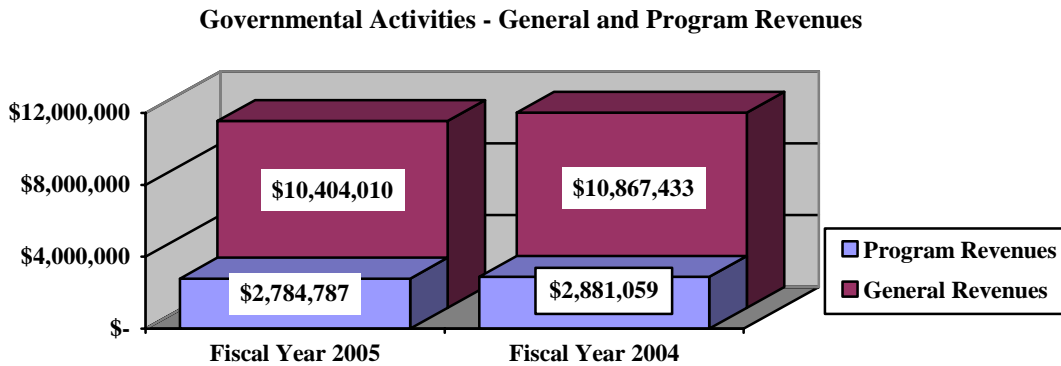
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,423,022	\$ 5,846,421	\$ 6,524,272	\$ 5,626,342
Special	2,017,997	1,278,871	1,975,933	1,284,466
Vocational	209,055	209,055	197,401	197,401
Other	176,238	176,238	169,615	169,615
Support services:				
Pupil	544,960	407,302	609,035	414,251
Instructional staff	633,804	205,019	494,944	241,325
Board of education	45,672	45,672	12,214	12,214
Administration	907,532	844,278	847,252	809,675
Fiscal	329,194	329,175	304,702	304,681
Business	56,781	56,781	53,434	53,434
Operations and maintenance	1,897,643	1,892,878	1,524,385	1,519,681
Pupil transportation	376,014	374,766	280,072	277,570
Central	-	-	1,091	(984)
Operations of non-instructional services	40,651	34,214	641,678	88,569
Food service operations	634,997	61,197	32,363	8,131
Extracurricular activities	594,903	444,833	476,719	368,563
Intergovernmental	70,099	3,769	61,371	(14,229)
Interest and fiscal charges	405,405	368,711	222,321	187,038
<b>Total expenses</b>	<b>\$ 15,363,967</b>	<b>\$ 12,579,180</b>	<b>\$ 14,428,802</b>	<b>\$ 11,547,743</b>

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The dependence upon tax and other general revenues for governmental activities is apparent, 85.09% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.87%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds reported a combined deficit fund balance of \$237,128, which is lower than last year's deficit of \$511,671. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance (Deficit) <u>June 30, 2005</u>	Restated Fund Balance (Deficit) <u>June 30, 2004</u>	Increase (Decrease)	Percentage Change
General	\$ (572,276)	\$ (354,732)	\$ (217,544)	61.33 %
Other Governmental	<u>335,148</u>	<u>(156,939)</u>	<u>492,087</u>	(313.55) %
Total	<u>\$ (237,128)</u>	<u>\$ (511,671)</u>	<u>\$ 274,543</u>	(53.66) %

**General Fund**

The District's general fund balance decreased by \$217,545 to a deficit of \$572,276 (after a restatement to the June 30, 2004 deficit fund balance, which is detailed in Note 3.A to the basic financial statements). The decrease in fund balance can be attributed to several items related to increasing revenues still being less than increased expenditures. Expenditures exceed revenues for fiscal year 2005 by \$192,071. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,131,301	\$ 1,998,755	\$ 132,546	6.63 %
Earnings on investments	27,975	3,415	24,560	719.18 %
Intergovernmental	8,908,662	8,419,368	489,294	5.81 %
Other revenues	<u>41,606</u>	<u>31,272</u>	<u>10,334</u>	<u>33.05 %</u>
 Total	 <u>\$ 11,109,544</u>	 <u>\$ 10,452,810</u>	 <u>\$ 656,734</u>	 <u>6.28 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,775,195	\$ 6,522,419	\$ 252,776	3.88 %
Support services	3,839,671	3,814,297	25,374	0.67 %
Non-instructional services	-	6,395	(6,395)	(100.00) %
Extracurricular activities	184,465	194,540	(10,075)	(5.18) %
Debt service	<u>502,284</u>	<u>309,698</u>	<u>192,586</u>	<u>62.19 %</u>
 Total	 <u>\$ 11,301,615</u>	 <u>\$ 10,847,349</u>	 <u>\$ 454,266</u>	 <u>4.19 %</u>

***General Fund Budgeting Highlights***

The District'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 the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,953,936 and final budgeted revenues and other financing sources were \$10,482,219. Actual revenues and other financing sources for fiscal 2005 were \$11,420,204. This represents a \$937,985 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$11,252,606. Final appropriations and other financing uses were \$11,232,109. The actual budget basis expenditures for fiscal year 2005 totaled \$11,739,006. This represents a \$506,897 increase from final budgeted expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$39,321,166 invested in land, land improvements, buildings and improvements, equipment and furniture, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	<u>2005</u>	Restated <u>2004</u>
Land	\$ 130,245	\$ 130,245
Land improvements	1,529,229	1,610,256
Building and improvements	35,923,105	35,929,964
Furniture and equipment	1,513,154	1,900,133
Vehicles	<u>225,433</u>	<u>271,184</u>
Total	<u>\$ 39,321,166</u>	<u>\$ 39,841,782</u>

The overall decrease in capital assets of \$520,616 is due to depreciation expense of \$1,269,256 exceeding capital outlay of \$748,640 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2005, the District had \$2,551,193 in general obligation bonds outstanding. Of this total, \$105,000 is due within one year and \$2,446,193 is due in more than one year. See Note 12 in the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
General obligation current interest bonds	\$ 2,360,000	\$ 2,460,000
General obligation capital appreciation bonds	191,193	172,136
Energy conservation notes	<u>-</u>	<u>47,522</u>
Total	<u>\$ 2,551,193</u>	<u>\$ 2,679,658</u>

At June 30, 2005, the District's legal voted debt margin was \$3,765,710, and an unvoted debt margin of \$70,306.

**Current Financial Related Activities**

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and state funding. Because of our high student poverty rate, our high special education needs, and our high non-English-speaking ADM, our grants and entitlements will probably continue at present levels or rise slightly.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

A major challenge in the District's financial stability is the rapid and huge decline in the carry-over balances over the last five years because of our Ohio School Facilities Commission (OSFC) project to replace all our school buildings. Because of our low wealth and poor facilities, the OSFC approved a complete replacement of school buildings project with the State paying 90% and the District paying 10%. A bond issue to pay the local share of the cost passed by 83% of the vote.

Because of our unique special education needs, it was apparent that the number of classrooms would not be sufficient, so we requested and received an amendment to the original project for four additional classrooms. The local share of those additional rooms was in excess of \$400,000. In addition, there were many things needed that the OSFC would not cover that were previously in existence; a bus garage, housing for school district vehicles, mowing and snow removal equipment, and storage. In 2001, the Board of Education approved a transfer of over \$1,000,000 to a non-voted permanent improvement fund to pay for those costs.

As the OSFC project progressed, there were many budget overruns caused primarily by unanticipated poor soil conditions, poor architectural plans and specifications for the high school building, and lack of proper construction oversight by the OSFC Construction Manager. Many of these extra costs were deemed to be "Locally Funded Initiatives", and as a result, we were forced to transfer an additional \$1,400,000 to the OSFC Construction Fund. This has put us into a precarious financial situation.

We have an Emergency Levy in existence which produces almost \$1,000,000 annually, which was renewed in 2005. However, because of State Legislative action in reducing Personal Tangible Taxes and little growth in real estate, our tax valuation has been actually dropping, causing a slow, steady decline in local taxes.

Another major challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The Campbell City Board of Education, Superintendent, Treasurer, and other administrators are working very hard to control expenses (some of which have "mushroomed" because of the operating expenses of the new school buildings). We are also suffering decreasing enrollment in our District because of community school enrollment and transfers of funds to those schools. We anticipate the future need of a new additional operating levy, possibly in 2008.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Nora Montanez, Treasurer, Campbell City School District, 280 Sixth Street, Campbell, Ohio 44405.



**BASIC  
FINANCIAL STATEMENTS**

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,049,078
Receivables:	
Taxes . . . . .	3,057,200
Intergovernmental . . . . .	143,327
Prepayments . . . . .	50,300
Materials and supplies inventory . . . . .	24,926
Capital assets:	
Land . . . . .	130,245
Depreciable capital assets, net . . . . .	39,190,921
Capital assets, net. . . . .	<u>39,321,166</u>
 Total assets. . . . .	 <u>43,645,997</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	73,041
Accrued wages and benefits . . . . .	1,056,298
Pension obligation payable. . . . .	344,461
Intergovernmental payable . . . . .	30,959
Deferred revenue . . . . .	2,437,726
Accrued interest payable . . . . .	20,591
Long-term liabilities:	
Due within one year. . . . .	221,281
Due within more than one year . . . . .	5,566,634
 Total liabilities . . . . .	 <u>9,750,991</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	34,198,058
Restricted for:	
Capital projects . . . . .	70,809
Debt service. . . . .	26,661
Classroom facilities maintenance . . . . .	105,450
Locally funded programs . . . . .	18,857
State funded programs . . . . .	200,993
Federally funded programs . . . . .	50,678
Student activities . . . . .	22,957
Other purposes . . . . .	375,211
Unrestricted (deficit) . . . . .	<u>(1,174,668)</u>
 Total net assets . . . . .	 <u>\$ 33,895,006</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,423,022	\$ 43,271	\$ 533,330	\$ (5,846,421)
Special . . . . .	2,017,997	-	739,126	(1,278,871)
Vocational . . . . .	209,055	-	-	(209,055)
Other . . . . .	176,238	-	-	(176,238)
Support services:				
Pupil . . . . .	544,960	-	137,658	(407,302)
Instructional staff . . . . .	633,804	-	428,785	(205,019)
Board of education . . . . .	45,672	-	-	(45,672)
Administration . . . . .	907,532	-	63,254	(844,278)
Fiscal . . . . .	329,194	-	19	(329,175)
Business . . . . .	56,781	-	-	(56,781)
Operations and maintenance . . . . .	1,897,643	-	4,765	(1,892,878)
Pupil transportation . . . . .	376,014	-	1,248	(374,766)
Operation of non-instructional services:				
Food service operations . . . . .	634,997	89,947	483,853	(61,197)
Other non-instructional services . . . . .	40,651	-	6,437	(34,214)
Extracurricular activities . . . . .	594,903	150,070	-	(444,833)
Intergovernmental pass-through . . . . .	70,099	-	66,330	(3,769)
Interest and fiscal charges . . . . .	405,405	-	36,694	(368,711)
<b>Total governmental activities . . . . .</b>	<b>\$ 15,363,967</b>	<b>\$ 283,288</b>	<b>\$ 2,501,499</b>	<b>(12,579,180)</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	1,292,233
Special revenue . . . . .	57,158
Debt service . . . . .	107,412
Grants and entitlements not restricted to specific programs . . . . .	8,908,662
Investment earnings . . . . .	30,869
Miscellaneous . . . . .	7,676

Total general revenues . . . . . 10,404,010

Change in net assets . . . . . (2,175,170)

**Net assets at beginning of year (restated) . . . . .** 36,070,176

**Net assets at end of year . . . . .** \$ 33,895,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 880,785	\$ 880,785
<b>Receivables:</b>			
Taxes . . . . .	2,714,940	342,260	3,057,200
Intergovernmental . . . . .	26,699	116,628	143,327
Interfund receivable . . . . .	118,275	-	118,275
Loans to other funds . . . . .	248,412	-	248,412
Prepayments . . . . .	50,300	-	50,300
Materials and supplies inventory . . . . .	-	24,926	24,926
<b>Restricted assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	168,293	-	168,293
<b>Total assets . . . . .</b>	<b>\$ 3,326,919</b>	<b>\$ 1,364,599</b>	<b>\$ 4,691,518</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 23,137	\$ 49,904	\$ 73,041
Accrued wages and benefits . . . . .	857,497	198,801	1,056,298
Pension obligation payable. . . . .	279,164	65,297	344,461
Intergovernmental payable. . . . .	24,457	6,502	30,959
Interfund payable. . . . .	-	118,275	118,275
Loans from other funds. . . . .	-	248,412	248,412
Deferred revenue. . . . .	2,714,940	342,260	3,057,200
<b>Total liabilities . . . . .</b>	<b>3,899,195</b>	<b>1,029,451</b>	<b>4,928,646</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	3,240	216,213	219,453
Reserved for materials and supplies inventory. . . . .	-	24,926	24,926
Reserved for prepayments . . . . .	50,300	-	50,300
Reserved for textbooks. . . . .	118,644	-	118,644
Reserved for loans to other funds. . . . .	248,412	-	248,412
Reserved for BWC refunds. . . . .	80,192	-	80,192
Reserved for school bus purchase . . . . .	21,274	-	21,274
<b>Unreserved:</b>			
Designation for budget stabilization. . . . .	273,745	-	273,745
<b>Undesignated (deficit), reported in:</b>			
General fund . . . . .	(1,368,083)	-	(1,368,083)
Special revenue funds . . . . .	-	240,037	240,037
Debt service fund. . . . .	-	(10,636)	(10,636)
Capital projects funds . . . . .	-	(135,392)	(135,392)
<b>Total fund balances (deficit). . . . .</b>	<b>(572,276)</b>	<b>335,148</b>	<b>(237,128)</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 3,326,919</b>	<b>\$ 1,364,599</b>	<b>\$ 4,691,518</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$ (237,128)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,321,166
Other long-term assets, such as delinquent taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.		619,474
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.		(20,591)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	2,551,193	
Lease purchase agreement payable	2,649,108	
Compensated absences	587,614	
Total		(5,787,915)
<b>Net assets of governmental activities</b>		\$ 33,895,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,131,301	\$ 266,779	\$ 2,398,080
Charges for services. . . . .	-	89,947	89,947
Earnings on investments. . . . .	27,975	2,894	30,869
Extracurricular. . . . .	-	150,070	150,070
Other local revenues. . . . .	41,606	9,341	50,947
Intergovernmental - Intermediate. . . . .	-	3,500	3,500
Intergovernmental - State. . . . .	8,778,742	938,944	9,717,686
Intergovernmental - Federal . . . . .	129,920	1,559,055	1,688,975
Total revenue . . . . .	<u>11,109,544</u>	<u>3,020,530</u>	<u>14,130,074</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,168,923	592,753	5,761,676
Special. . . . .	1,221,535	705,320	1,926,855
Vocational. . . . .	208,499	-	208,499
Other. . . . .	176,238	-	176,238
Support services:			
Pupil. . . . .	372,734	161,101	533,835
Instructional staff . . . . .	123,724	480,761	604,485
Board of education . . . . .	41,638	-	41,638
Administration. . . . .	819,848	55,291	875,139
Fiscal . . . . .	321,227	5,171	326,398
Business . . . . .	56,781	-	56,781
Operations and maintenance. . . . .	1,783,733	39,464	1,823,197
Pupil transportation . . . . .	319,986	1,626	321,612
Operation of non-instructional services:			
Food service operations . . . . .	-	562,036	562,036
Other non-instructional services. . . . .	-	40,651	40,651
Extracurricular activities. . . . .	184,465	152,126	336,591
Facilities acquisition and construction . . . . .	-	748,641	748,641
Intergovernmental pass through . . . . .	-	70,056	70,056
Debt service:			
Principal retirement . . . . .	259,761	147,522	407,283
Interest and fiscal charges . . . . .	242,523	134,034	376,557
Total expenditures . . . . .	<u>11,301,615</u>	<u>3,896,553</u>	<u>15,198,168</u>
Excess of revenues under expenditures . . . . .	<u>(192,071)</u>	<u>(876,023)</u>	<u>(1,068,094)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	10,662	36,135	46,797
Transfers (out). . . . .	(36,135)	(10,662)	(46,797)
Lease purchase agreement. . . . .	-	1,342,637	1,342,637
Total other financing sources (uses) . . . . .	<u>(25,473)</u>	<u>1,368,110</u>	<u>1,342,637</u>
Net change in fund balances . . . . .	(217,544)	492,087	274,543
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>	<u>(354,732)</u>	<u>(156,939)</u>	<u>(511,671)</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (572,276)</u>	<u>\$ 335,148</u>	<u>\$ (237,128)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	274,543
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 748,640	
Depreciation expense	(1,269,256)	
Total		(520,616)
Proceeds of lease purchase agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets		
		(1,342,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(941,277)
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		407,283
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest payable	(9,791)	
Accreted interest	(19,057)	
Total		(28,848)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(23,618)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(2,175,170)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,231,121	\$ 2,135,041	\$ 2,131,301	\$ (3,740)
Earnings on investments. . . . .	25,080	24,000	27,975	3,975
Classroom materials and fees . . . . .	162	155	155	-
Other local revenues . . . . .	33,344	31,908	41,451	9,543
Intergovernmental - State . . . . .	8,489,441	8,123,854	8,778,742	654,888
Intergovernmental - Federal. . . . .	85,660	81,971	131,852	49,881
Total revenue . . . . .	<u>10,864,808</u>	<u>10,396,929</u>	<u>11,111,476</u>	<u>714,547</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,954,077	4,945,052	5,168,220	(223,168)
Special. . . . .	1,195,813	1,193,635	1,247,503	(53,868)
Vocational. . . . .	199,991	199,627	208,636	(9,009)
Other. . . . .	168,936	168,628	176,238	(7,610)
Support services:				
Pupil. . . . .	368,779	368,107	384,719	(16,612)
Instructional staff . . . . .	120,846	120,626	126,070	(5,444)
Board of education . . . . .	40,469	40,395	42,218	(1,823)
Administration. . . . .	809,796	808,321	844,800	(36,479)
Fiscal . . . . .	306,579	306,021	319,831	(13,810)
Business . . . . .	54,428	54,329	56,781	(2,452)
Operations and maintenance. . . . .	1,869,334	1,865,929	1,950,137	(84,208)
Pupil transportation . . . . .	299,391	298,846	312,333	(13,487)
Extracurricular activities. . . . .	177,595	177,272	185,272	(8,000)
Debt service:				
Principal retirement. . . . .	230,033	229,614	239,976	(10,362)
Interest and fiscal charges . . . . .	76,704	76,564	80,019	(3,455)
Total expenditures . . . . .	<u>10,872,771</u>	<u>10,852,966</u>	<u>11,342,753</u>	<u>(489,787)</u>
Excess of revenues over (under) expenditures. . . . .	<u>(7,963)</u>	<u>(456,037)</u>	<u>(231,277)</u>	<u>224,760</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	30,375	29,067	112,505	83,438
Transfers (out) . . . . .	(132,261)	(132,020)	(137,978)	(5,958)
Advances in. . . . .	58,753	56,223	196,223	140,000
Advances (out) . . . . .	(247,574)	(247,123)	(258,275)	(11,152)
Total other financing sources (uses) . . . . .	<u>(290,707)</u>	<u>(293,853)</u>	<u>(87,525)</u>	<u>206,328</u>
Net change in fund balance . . . . .	(298,670)	(749,890)	(318,802)	431,088
<b>Fund balance at beginning of year. . . . .</b>	408,112	408,112	408,112	-
<b>Prior year encumbrances appropriated . . . . .</b>	52,606	52,606	52,606	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ 162,048</u>	<u>\$ (289,172)</u>	<u>\$ 141,916</u>	<u>\$ 431,088</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 40,310	\$ 34,383
Total assets. . . . .	40,310	\$ 34,383
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 782
Due to students . . . . .	-	33,601
Total liabilities . . . . .	-	\$ 34,383
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	40,310	
Total net assets . . . . .	\$ 40,310	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 2,187
Gifts and contributions. . . . .	8,500
	10,687
Total additions. . . . .	10,687
<b>Reductions:</b>	
Scholarships awarded . . . . .	13,501
	(2,814)
Change in net assets . . . . .	(2,814)
Net assets at beginning of year. . . . .	43,124
	43,124
Net assets at end of year . . . . .	\$ 40,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Campbell City School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately four square miles in Mahoning County, including all of the City of Campbell.

The District is the 359th largest in the State of Ohio (among 614 public and community school districts) in terms of total enrollment. It currently operates one elementary school, one middle school, and one comprehensive high school. The District is staffed by 71 non-certificated and 145 certificated personnel to provide services to approximately 1,560 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS, a Council of Governments (the "COG"), is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports the COG based upon a per pupil charge. The COG is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of the COG including budgeting, appropriating, contracting and designating management. All of the COG revenues are generated from charges for services and State funding. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

*PUBLIC ENTITY RISK POOL*

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or a designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private-purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total appropriations of any fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements. At June 30, 2005, the District had no investments, as all District monies were held in depository accounts (see Note 4).



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal 2005 amounted to \$27,975, which includes \$21,380 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

Governmental capital assets are those assets specifically related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2005, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The District does not possess infrastructure.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, employees age 50 with 10 years of service or any age with 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**L. Fund Balance Reserves/Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, loans to other funds, textbooks, BWC refunds, and school bus purchases. A portion of fund balance in the general fund has been designated for budget stabilization.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for textbooks, BWC refunds received prior to April 10, 2001, and school bus purchases. This reserve is required by state statute. A schedule of statutory reserves is presented in Note 18.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	General	Nonmajor	Total
Fund Balances, June 30, 2004	\$ (264,176)	\$ (124,434)	\$ (388,610)
GASB Technical Bulletin No. 2004-2	(90,556)	(32,505)	(123,061)
Restated Fund Balances, June 30, 2004	\$ (354,732)	\$ (156,939)	\$ (511,671)

**B. Prior Period Adjustment**

The governmental activities capital assets balance at June 30, 2004 has been restated in order to properly state the balance of the District's stadium project. This restatement had the following effect on net assets at June 30, 2004:

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)**

**Governmental Activities**

Net assets at June 30, 2004	\$ 36,798,713
Restatement of capital assets	<u>(728,537)</u>
Restated net assets at July 1, 2004	<u>\$ 36,070,176</u>

**C. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 572,276
 <u>Nonmajor Funds</u>	
Teacher Development	268
Summer Intervention	1,541
Adult Basic Education	1,918
EESA/NDEA	10
Title V	622
Improving Teacher Quality	1,240
Miscellaneous Federal Grants	46,185
Classroom Facilities	197,550
SchoolNet Equipment	3
Debt service	10,636

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit balances result from adjustments for accrued liabilities.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District 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 the Board of Education 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 moneys 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.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to 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 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$1,123,771. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$1,405,270 of the District’s bank balance of \$1,531,544 was exposed to custodial risk as discussed below, while \$126,274 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. Reconciliation of Cash to the Statement of Net Assets**

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2005:

<u>Cash per footnote</u>	
Carrying amount of deposits	<u>\$ 1,123,771</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 1,049,078
Private-Purpose funds	40,310
Agency funds	<u>34,383</u>
Total	<u>\$ 1,123,771</u>

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2005 consist of the following short-term interfund loans receivable and payable, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 118,275

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B. Interfund balances at June 30, 2005 consist of the following long-term loans to and from other funds, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 248,412

Loans to and from other funds represent long-term interfund loans that are not expected to be repaid within one year. These loans are being repaid over a number of years as resources become available.

- C. Interfund transfers for the fiscal year ended June 30, 2005 consisted of the following, as reported in the fund financial statements:

	<u>Amount</u>
<u>Transfers to General Fund from:</u>	
Nonmajor Governmental funds	\$ 10,662
 <u>Transfers from General Fund to:</u>	
Nonmajor Governmental funds	36,135

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,716,520	89.05	\$ 62,689,850	89.17
Public utility personal	3,559,780	5.05	3,641,510	5.18
Tangible personal property	<u>4,155,760</u>	<u>5.90</u>	<u>3,974,630</u>	<u>5.65</u>
Total	<u>\$ 70,432,060</u>	<u>100.00</u>	<u>\$ 70,305,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$	42.50	\$	44.60
Debt Service		3.55		3.85
Permanent Improvement		0.50		0.50

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes	\$ 3,057,200
Intergovernmental	<u>143,327</u>
Total	<u>\$ 3,200,527</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Restated Balance <u>06/30/04</u>	<u>Acquisitions</u>	<u>Disposals</u>	Balance <u>06/30/05</u>
<b><u>Governmental Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 130,245	\$ -	\$ -	\$ 130,245
Total capital assets not being depreciated	<u>130,245</u>	<u>-</u>	<u>-</u>	<u>130,245</u>
Capital assets being depreciated:				
Land improvements	1,620,535	-	-	1,620,535
Buildings and improvements	37,310,543	748,640	-	38,059,183
Furniture and equipment	2,625,231	-	-	2,625,231
Vehicles	<u>635,440</u>	<u>-</u>	<u>-</u>	<u>635,440</u>
Total capital assets being depreciated	<u>42,191,749</u>	<u>748,640</u>	<u>-</u>	<u>42,940,389</u>
Less: accumulated depreciation:				
Land improvements	(10,279)	(81,027)	-	(91,306)
Building improvements	(1,380,579)	(755,499)	-	(2,136,078)
Furniture and equipment	(725,098)	(386,979)	-	(1,112,077)
Vehicles	<u>(364,256)</u>	<u>(45,751)</u>	<u>-</u>	<u>(410,007)</u>
Total accumulated depreciation	<u>(2,480,212)</u>	<u>(1,269,256)</u>	<u>-</u>	<u>(3,749,468)</u>
Governmental activities capital assets, net	<u>\$ 39,841,782</u>	<u>\$ (520,616)</u>	<u>\$ -</u>	<u>\$ 39,321,166</u>

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 653,389
Special	70,766
<u>Support Services:</u>	
Instructional staff	30,359
Board of Education	4,034
Administration	30,359
Fiscal	6,086
Operations and maintenance	86,893
Pupil transportation	55,703
Extracurricular activities	258,312
Food service operations	73,355
Total depreciation expense	<u>\$ 1,269,256</u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

On August 21, 2003, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for \$2,835,000 to finance the construction, enlarging and other improvements, equipping and furnishing, lease, and eventual acquisition of the District's stadium facility. During fiscal 2004, the District received \$1,475,471 in proceeds from the lease-purchase agreement. In fiscal 2005, the District received \$1,342,637 in proceeds from the lease-purchase agreement. The remaining proceeds are to be received in the subsequent year. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal 2005, the District paid \$91,000 in principal and \$145,914 in interest, which are reported as debt service expenditures in the General Fund. A liability in the amount of the present value of minimum lease payments has been reported in the governmental activities of the District.

An amortization schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments will be presented once all proceeds from the lease-purchase agreement have been received.

**NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE**

In prior fiscal years, the District entered into a lease for the acquisition of computers and computer equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease, generally, as one which transfers benefits and risks of ownership to the lessee. Capital assets consisting of equipment have been capitalized in the amount of \$506,283. This amount represents the present value of the minimum lease payments at the time of inception. A corresponding liability was recorded in the government-wide financial statements. During fiscal 2005, the District made the final debt service payments of \$168,761 in principal and \$13,528 in interest. These payments are reported as debt service expenditures in the General Fund, but are reported as function expenditures on the budgetary statement. At June 30, 2005, the District has no liability for capital lease obligation.

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - OPERATING LEASE - LESSEE DISCLOSURE**

The District is the lessee of copy machines and computer equipment under non-cancelable operating leases. The operating leases have varying terms from three to five years. The future minimum lease payments as of June 30, 2005 are as follows:

Fiscal Year Ending June 30	Amount
2006	\$ 54,120
2007	49,610
Total	\$ 103,730

**NOTE 12 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2000, the District issued general obligation bonds to provide funds for the construction of a new K-8 elementary and middle school building and renovations and additions to the high school (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to the bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.1 mill bonded debt tax levy for the building construction and a .2 mill bonded debt tax levy for land acquisition.

These bonds represent the amount of the Construction Project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2005, the total estimated cost of the Construction Project is \$27,951,603, of which OSFC will pay \$21,056,504.

This issue is comprised of both current interest bonds, par value \$2,905,000, and capital appreciation bonds, par value \$465,000. The interest rates on the current interest bonds range from 4.80% to 5.75%. The capital appreciation bonds mature on December 1, 2012 (effective interest 14.52%) and December 1, 2013 (effective interest 14.52%) and December 1, 2014 (effective interest 14.52%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of the issue date) reported as a long-term liability of the District at June 30, 2005 was \$114,000. A total of \$77,193 in accreted interest on the capital appreciation bonds has been included in the District's long-term liabilities at June 30, 2005. The current interest bonds maturing on or after December 1, 2010 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	102% of par
December 1, 2011 through November 30, 2012	101% of par
December 1, 2012 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal 2005 on the general obligation bonds:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental Activities</u></b>					
Current interest bonds	\$ 2,460,000	\$ -	\$ (100,000)	\$ 2,360,000	\$ 105,000
Capital appreciation bonds	<u>172,136</u>	<u>19,057</u>	<u>-</u>	<u>191,193</u>	<u>-</u>
Total general obligation bonds	<u>\$ 2,632,136</u>	<u>\$ 19,057</u>	<u>\$ (100,000)</u>	<u>\$ 2,551,193</u>	<u>\$ 105,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the bonds:

Year Ending <u>June 30</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 105,000	\$ 127,808	\$ 232,808	\$ -	\$ -	\$ -
2007	110,000	122,486	232,486	-	-	-
2008	115,000	116,861	231,861	-	-	-
2009	125,000	110,766	235,766	-	-	-
2010	130,000	104,201	234,201	-	-	-
2011 - 2015	285,000	443,624	728,624	465,000	-	465,000
2016 - 2020	855,000	310,644	1,165,644	-	-	-
2021 - 2023	<u>635,000</u>	<u>56,206</u>	<u>691,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,360,000</u>	<u>\$ 1,392,596</u>	<u>\$ 3,752,596</u>	<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>

- B.** The District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of this note is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2005:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding 06/30/04</u>	<u>Retired in 2005</u>	<u>Outstanding 06/30/05</u>	<u>Amount Due In One Year</u>
Energy Conservation Notes	5.15%	05/23/96	11/30/04	<u>\$ 47,522</u>	<u>\$ (47,522)</u>	<u>\$ -</u>	<u>\$ -</u>

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

C. During fiscal 2005, the following changes occurred for the obligations reported in long-term liabilities:

	Balance 6/30/2004	Increases	Decreases	Balance 6/30/2005	Amounts Due In One Year
General obligation current interest bonds	\$ 2,460,000	\$ -	\$ (100,000)	\$ 2,360,000	\$ 105,000
General obligation capital appreciation Bonds	114,000	-	-	114,000	-
General obligation capital appr.bonds-accr int.	58,136	19,057	-	77,193	-
Energy conservation notes	47,522	-	(47,522)	-	-
Lease purchase agreement	1,397,471	1,342,637	(91,000)	2,649,108	98,000
Capital lease obligation	168,761	-	(168,761)	-	-
Compensated absences	629,651	76,027	(118,064)	587,614	18,281
<b>Total</b>	<b>\$ 4,875,541</b>	<b>\$ 1,437,721</b>	<b>\$ (525,347)</b>	<b>\$ 5,787,915</b>	<b>\$ 221,281</b>

Compensated absences will be paid from the fund in which the employee is paid.

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$3,765,710 and an unvoted debt margin of \$70,306.

**NOTE 13 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. The comprehensive commercial insurance coverage limits are \$27,773,469 and a deductible of \$3,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$3,000,000 annual aggregate. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Medical Benefits**

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide health, dental, and vision benefits to its member organizations.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating districts and claims are paid for all participants regardless of claims flow. The Consortium is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier.

The District pays the insurance premiums for all full-time employees and 50% of the premium for part time employees who are the head of a household.

The health, dental, and vision coverage is administered by Professional Risk Management, a third party administrator.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 14 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 14 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$254,910, \$243,425 and \$244,935, respectively; 33.07% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$170,604 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$808,766, \$811,825, and \$778,000, respectively; 91.50% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$68,756 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,157 made by the District and \$4,828 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$57,769 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$115,822 during the 2005 fiscal year.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ (318,802)
Net adjustment for revenue accruals	(1,932)
Net adjustment for expenditure accruals	14,801
Net adjustment for other sources/uses	62,052
Adjustment for encumbrances	<u>26,337</u>
GAAP basis	<u>\$ (217,544)</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 18 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>School Bus Purchases</u>	<u>BWC Refunds</u>	<u>Budget Stabilization</u>
Set-aside balance at June 30, 2004	\$ (35,189)	\$(1,475,471)	\$ -	\$ 80,192	\$ 273,745
Current year set-aside requirement	227,193	227,193	21,274	-	-
Current year offsets	-	(1,368,664)	-	-	-
Current year qualifying disbursements	<u>(73,360)</u>	<u>(242,894)</u>	<u>-</u>	<u>-</u>	<u>(258,276)</u>
Total set-aside balance at June 30, 2005	<u>\$ 118,644</u>	<u>\$(2,859,836)</u>	<u>\$ 21,274</u>	<u>\$ 80,192</u>	<u>\$ 15,469</u>
Set-aside balance carried forward to FY2006	<u>\$ 118,644</u>	<u>\$(2,818,108)</u>	<u>\$ 21,274</u>	<u>\$ 80,192</u>	<u>\$ 15,469</u>

The District had current year qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero. A portion of this extra amount may be used to reduce the set-aside requirement of future years.

Monies representing BWC refunds that were received prior to April 10, 2001 have been shown as a restricted asset and a reservation of fund balance in the General Fund since allowable expenditures are restricted by state statute.

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 - STATUTORY RESERVES - (Continued)**

A schedule of restricted assets at June 30, 2005 follows:

Restricted for textbooks	\$ 118,644
Restricted for BWC refunds	80,192
Restricted for school bus purchases	21,274
Amount to limited set-aside to available cash	<u>(51,817)</u>
Total	<u>\$ 168,293</u>

A schedule of reserved and designated fund balance at June 30, 2005 follows:

Fund balance reserved for textbooks	\$ 118,644
Fund balance reserved for school bus purchases	21,274
Fund balance reserved for BWC refunds	80,192
Fund balance designated for budget stabilization	<u>15,469</u>
Total	<u>\$ 235,579</u>

CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program		10.550		\$75,716		\$75,716
National School Breakfast Program		10.553	\$92,957		\$92,957	
National School Lunch Program		10.555	335,099		335,099	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>428,056</u>	<u>75,716</u>	<u>428,056</u>	<u>75,716</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States		6B-SF-05	301,764		259,925	
		6B-SF-04	15,777		15,838	
Total Special Education Grants to States			<u>317,541</u>		<u>275,763</u>	
Title I Grants to Local Educational Agencies		C1-S1-05	581,310		522,434	
		C1-S1-04	8,821		76,198	
Total Title I Grants to Local Educational Agencies			<u>590,131</u>		<u>598,632</u>	
Safe and Drug-Free Schools and Communities		DR-S1-05	15,781		12,163	
		DR-S1-04	(2,103)		(1,162)	
Total Safe and Drug-Free Schools and Communities			<u>13,678</u>		<u>11,001</u>	
State Grants for Innovative Programs		C2-S1-05	8,579		7,174	
		C2-S1-04	1,877		1,724	
Total State Grants for Innovative Programs			<u>10,456</u>		<u>8,898</u>	
Education Technology State Grants		TJ-S1-05	12,843		12,981	
		TJ-S1-04	2,823		2,228	
Total Education Technology State Grants			<u>15,666</u>		<u>15,209</u>	
Improving Teacher Quality State Grants		TR-S1-05	108,177		104,807	
		TR-S1-04	11,411		19,434	
Total Improving Teacher Quality State Grants			<u>119,588</u>		<u>124,241</u>	
Total Department of Education			<u>1,067,060</u>		<u>1,033,744</u>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Departmental Disabilities:</i>						
Medical Assistance Program		93.778	129,881		129,881	
Total Department of Health and Human Services			<u>129,881</u>		<u>129,881</u>	
<b>Totals</b>			<u>\$1,624,997</u>	<u>\$75,716</u>	<u>\$1,591,681</u>	<u>\$75,716</u>

The accompanying notes are an integral part of this schedule.

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



## **Auditor of State Betty Montgomery**

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

Campbell City School District  
Mahoning County  
280 Sixth Street  
Campbell, Ohio 44405

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 31, 2006. 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 District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 31, 2006, we reported other matters related to noncompliance we deemed immaterial.

Campbell City School District  
Mahoning County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 31, 2006





## **Auditor of State Betty Montgomery**

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

Campbell City School District  
Mahoning County  
280 Sixth Street  
Campbell, Ohio 44405

To the Board of Education:

#### **Compliance**

We have audited the compliance of Campbell City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Campbell City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 31, 2006

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA #10.550, 10.553, 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**1. Title of Finding**

Finding Number	None
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	





**Auditor of State  
Betty Montgomery**

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**CAMPBELL CITY SCHOOL DISTRICT**

**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  
NOVEMBER 9, 2006**