



Mary Taylor, CPA  
Auditor of State



**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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, 2006, 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, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 4, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$783,677, which represents a 2.31% decrease from 2005.
- General revenues accounted for \$11,431,962 in revenue, or 79.34% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,976,960, or 20.66% of total revenues of \$14,408,922.
- The District had \$15,192,599 in expenses related to governmental activities; \$2,976,960 of these expenses was 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 \$11,431,962 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$11,495,022 in revenues and \$11,034,513 in expenditures. During fiscal year 2006, the general fund's fund deficit balance decreased by \$460,509, from a deficit of \$572,276 to a deficit of \$111,767.

**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, 2006  
UNAUDITED

**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 2006?" 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, 2006  
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 22-45 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 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,229,395	\$ 4,324,831
Capital assets	<u>38,184,337</u>	<u>39,321,166</u>
Total assets	<u>43,413,732</u>	<u>43,645,997</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,524,205	3,963,076
Long-term liabilities	<u>5,778,198</u>	<u>5,787,915</u>
Total liabilities	<u>10,302,403</u>	<u>9,750,991</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	33,169,337	34,198,058
Restricted	1,225,207	871,616
Unrestricted (deficit)	<u>(1,283,215)</u>	<u>(1,174,668)</u>
Total net assets	<u><u>\$ 33,111,329</u></u>	<u><u>\$ 33,895,006</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$33,111,329. Of this total, \$1,225,207 is restricted in use.

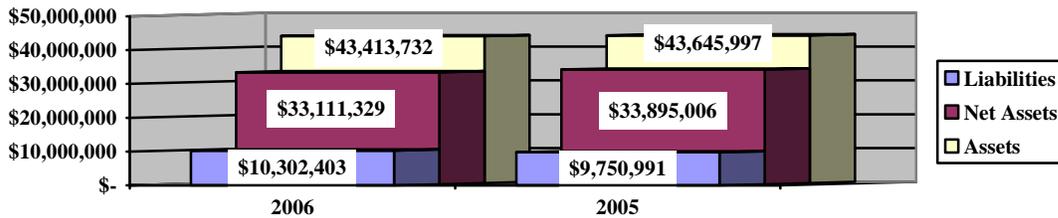
**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED

At year-end, capital assets represented 87.95% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, and vehicles. At June 30, 2006, capital assets, net of related debt to acquire the assets were \$33,169,337. 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, \$1,225,207, 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 \$1,283,215.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 302,545	\$ 283,288
Operating grants and contributions	2,658,159	2,501,499
Capital grants and contributions	16,256	-
General revenues:		
Property taxes	2,241,453	1,456,803
Grants and entitlements	8,901,059	8,908,662
Investment earnings	46,651	30,869
Other	242,799	7,676
Total revenues	<u>14,408,922</u>	<u>13,188,797</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2006</u>	<u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,595,771	\$ 6,423,022
Special	1,967,587	2,017,997
Vocational	204,444	209,055
Adult/continuing	490	-
Other	167,843	176,238
Support services:		
Pupil	555,502	544,960
Instructional staff	416,999	633,804
Board of education	27,921	45,672
Administration	1,038,098	907,532
Fiscal	345,152	329,194
Business	50,837	56,781
Operations and maintenance	1,740,547	1,897,643
Pupil transportation	409,554	376,014
Food service operations	657,373	634,997
Operations of non-instructional services	19,083	40,651
Extracurricular activities	594,218	594,903
Intergovernmental pass-through	53,913	70,099
Interest and fiscal charges	<u>347,267</u>	<u>405,405</u>
 Total expenses	 <u>15,192,599</u>	 <u>15,363,967</u>
 Change in net assets	 (783,677)	 (2,175,170)
 Net assets at beginning of year	 <u>33,895,006</u>	 <u>36,070,176</u>
 Net assets at end of year	 <u>\$ 33,111,329</u>	 <u>\$ 33,895,006</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$783,677. Total governmental expenses of \$15,192,599 were offset by program revenues of \$2,976,960 and general revenues of \$11,431,962. Program revenues supported 19.59% 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 77.33% of total governmental revenue.

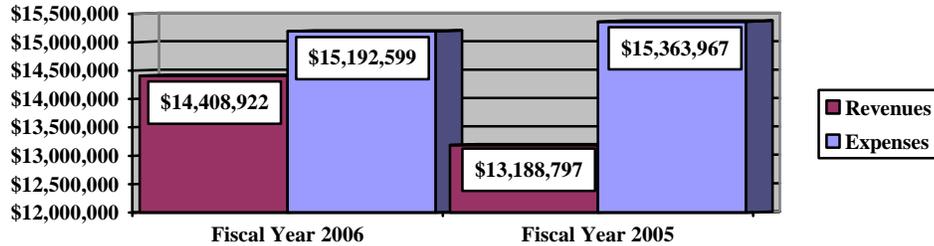
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,936,135, or 58.82%, of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**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**

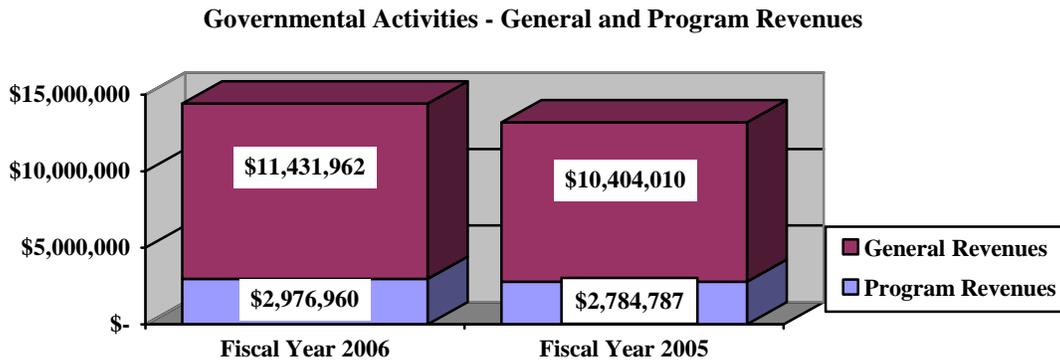
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,595,771	\$ 5,727,420	\$ 6,423,022	\$ 5,846,421
Special	1,967,587	1,140,208	2,017,997	1,278,871
Vocational	204,444	204,444	209,055	209,055
Adult/continuing	490	490	-	-
Other	167,843	17,708	176,238	176,238
Support services:				
Pupil	555,502	436,347	544,960	407,302
Instructional staff	416,999	309,159	633,804	205,019
Board of education	27,921	27,921	45,672	45,672
Administration	1,038,098	986,323	907,532	844,278
Fiscal	345,152	345,023	329,194	329,175
Business	50,837	50,837	56,781	56,781
Operations and maintenance	1,740,547	1,733,288	1,897,643	1,892,878
Pupil transportation	409,554	336,199	376,014	374,766
Food service operations	657,373	123,023	634,997	61,197
Operations of non-instructional services	19,083	4,826	40,651	34,214
Extracurricular activities	594,218	431,435	594,903	444,833
Intergovernmental pass-through	53,913	(6,279)	70,099	3,769
Interest and fiscal charges	347,267	347,267	405,405	368,711
<b>Total expenses</b>	<b>\$ 15,192,599</b>	<b>\$ 12,215,639</b>	<b>\$ 15,363,967</b>	<b>\$ 12,579,180</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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The dependence upon tax and other general revenues for governmental activities is apparent, 79.34% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.41%. 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 2006 and 2005.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$381,757, which is higher than last year's deficit of \$237,128. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ (111,767)	\$ (572,276)	\$ 460,509	80.47 %
Other Governmental	<u>493,524</u>	<u>335,148</u>	<u>158,376</u>	47.26 %
Total	<u>\$ 381,757</u>	<u>\$ (237,128)</u>	<u>\$ 618,885</u>	260.99 %

**General Fund**

The District's general fund balance increased \$460,509 to a deficit balance of \$111,767. The increase in fund balance can be attributed to several items related to increasing revenues and decreased expenditures. Revenues exceed expenditures for fiscal year 2006 by \$460,509. 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, 2006  
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	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,328,153	\$ 2,131,301	\$ 196,852	9.24 %
Earnings on investments	43,806	27,975	15,831	56.59 %
Intergovernmental	8,853,589	8,908,662	(55,073)	(0.62) %
Other revenues	<u>269,474</u>	<u>41,606</u>	<u>227,868</u>	<u>547.68 %</u>
 Total	 <u>\$ 11,495,022</u>	 <u>\$ 11,109,544</u>	 <u>\$ 385,478</u>	 <u>3.47 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,641,438	\$ 6,775,195	\$ (133,757)	(1.97) %
Support services	3,961,031	3,839,671	121,360	3.16 %
Extracurricular activities	195,518	184,465	11,053	5.99 %
Debt service	<u>236,526</u>	<u>502,284</u>	<u>(265,758)</u>	<u>(52.91) %</u>
 Total	 <u>\$ 11,034,513</u>	 <u>\$ 11,301,615</u>	 <u>\$ (267,102)</u>	 <u>(2.36) %</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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,971,835 and final budgeted revenues and other financing sources were \$11,476,039. Actual revenues and other financing sources for fiscal 2006 were \$11,580,988. This represents a \$104,949 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$11,232,027. Final appropriations and other financing uses were \$11,600,000. The actual budget basis expenditures for fiscal year 2006 totaled \$11,421,366. This represents a \$178,634 decrease from final budgeted expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2006, the District had \$38,184,337 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 130,245	\$ 130,245
Land improvements	1,448,202	1,529,229
Building and improvements	35,154,154	35,923,105
Furniture and equipment	1,156,527	1,513,154
Vehicles	295,209	225,433
Total	\$ 38,184,337	\$ 39,321,166

The overall decrease in capital assets of \$1,136,829 is due to depreciation expense of \$1,286,597 exceeding capital outlay of \$149,768 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, 2006, the District had \$2,467,358 in general obligation bonds and \$2,646,000 in a lease purchase agreement outstanding. Of this total, \$213,000 is due within one year and \$4,900,358 is due in more than one year. See Note 11 in the basic financial statements for additional information. The following table summarizes the bonds and lease outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General obligation current interest bonds	\$ 2,255,000	\$ 2,360,000
General obligation capital appreciation bonds	212,358	191,193
Lease purchase agreement	2,646,000	2,649,108
Total	\$ 5,113,358	\$ 5,200,301

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**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.

The District has 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, the 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.

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.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,935,134
Cash with fiscal agent. . . . .	73
Receivables:	
Taxes . . . . .	3,099,207
Accounts . . . . .	22,364
Intergovernmental . . . . .	148,221
Materials and supplies inventory . . . . .	24,396
Capital assets:	
Land . . . . .	130,245
Depreciable capital assets, net . . . . .	38,054,092
Capital assets, net. . . . .	<u>38,184,337</u>
 Total assets. . . . .	 <u>43,413,732</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	43,829
Accrued wages and benefits . . . . .	1,228,607
Pension obligation payable. . . . .	280,437
Intergovernmental payable . . . . .	106,048
Deferred revenue . . . . .	2,844,924
Accrued interest payable . . . . .	20,360
Long-term liabilities:	
Due within one year. . . . .	402,086
Due within more than one year . . . . .	5,376,112
 Total liabilities . . . . .	 <u>10,302,403</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	33,169,337
Restricted for:	
Capital projects . . . . .	52,471
Debt service. . . . .	104,098
Classroom facilities maintenance . . . . .	69,418
Locally funded programs . . . . .	10,145
State funded programs . . . . .	417,651
Federally funded programs . . . . .	77,051
Student activities . . . . .	37,205
Other purposes . . . . .	457,168
Unrestricted (deficit) . . . . .	<u>(1,283,215)</u>
 Total net assets . . . . .	 <u>\$ 33,111,329</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, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 6,595,771	\$ 46,037	\$ 806,058	\$ 16,256	\$ (5,727,420)
Special . . . . .	1,967,587	-	827,379	-	(1,140,208)
Vocational . . . . .	204,444	-	-	-	(204,444)
Adult/continuing . . . . .	490	-	-	-	(490)
Other . . . . .	167,843	-	150,135	-	(17,708)
Support services:					
Pupil . . . . .	555,502	-	119,155	-	(436,347)
Instructional staff . . . . .	416,999	-	107,840	-	(309,159)
Board of education . . . . .	27,921	-	-	-	(27,921)
Administration . . . . .	1,038,098	-	51,775	-	(986,323)
Fiscal . . . . .	345,152	-	129	-	(345,023)
Business . . . . .	50,837	-	-	-	(50,837)
Operations and maintenance . . . . .	1,740,547	-	7,259	-	(1,733,288)
Pupil transportation . . . . .	409,554	-	73,355	-	(336,199)
Operation of non-instructional services:					
Food service operations . . . . .	657,373	93,725	440,625	-	(123,023)
Other non-instructional services . . . . .	19,083	-	14,257	-	(4,826)
Extracurricular activities . . . . .	594,218	162,783	-	-	(431,435)
Intergovernmental pass-through . . . . .	53,913	-	60,192	-	6,279
Interest and fiscal charges . . . . .	347,267	-	-	-	(347,267)
<b>Total governmental activities . . . . .</b>	<b>\$ 15,192,599</b>	<b>\$ 302,545</b>	<b>\$ 2,658,159</b>	<b>\$ 16,256</b>	<b>(12,215,639)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,963,959
Special revenue . . . . .					20,079
Debt service . . . . .					257,415
Grants and entitlements not restricted					
to specific programs . . . . .					8,901,059
Investment earnings . . . . .					46,651
Miscellaneous . . . . .					242,799
<b>Total general revenues . . . . .</b>					<b>11,431,962</b>
Change in net assets . . . . .					(783,677)
<b>Net assets at beginning of year . . . . .</b>					<b>33,895,006</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 33,111,329</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 570,744	\$ 1,059,941	\$ 1,630,685
Cash with fiscal agent . . . . .	-	73	73
<b>Receivables:</b>			
Taxes . . . . .	2,684,556	414,651	3,099,207
Accounts . . . . .	15,452	6,912	22,364
Intergovernmental . . . . .	-	148,221	148,221
Interfund receivable . . . . .	10,636	-	10,636
Loans to other funds . . . . .	248,412	-	248,412
Materials and supplies inventory . . . . .	-	24,396	24,396
<b>Restricted assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	304,449	-	304,449
<b>Total assets</b> . . . . .	<b>\$ 3,834,249</b>	<b>\$ 1,654,194</b>	<b>\$ 5,488,443</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 13,179	\$ 30,650	\$ 43,829
Accrued wages and benefits . . . . .	968,416	260,191	1,228,607
Pension obligation payable. . . . .	231,257	49,180	280,437
Intergovernmental payable. . . . .	84,521	21,527	106,048
Interfund payable. . . . .	-	10,636	10,636
Loans from other funds. . . . .	-	248,412	248,412
Deferred revenue. . . . .	2,648,643	540,074	3,188,717
<b>Total liabilities</b> . . . . .	<b>\$ 3,946,016</b>	<b>\$ 1,160,670</b>	<b>\$ 5,106,686</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	527,450	82,228	609,678
Reserved for property tax unavailable for appropriation . . . . .	35,913	5,547	41,460
Reserved for materials and supplies inventory. . . . .	-	24,396	24,396
Reserved for textbooks. . . . .	224,257	-	224,257
Reserved for loans to other funds. . . . .	248,412	-	248,412
Reserved for BWC refunds. . . . .	80,192	-	80,192
Reserved for debt service. . . . .	-	82,579	82,579
<b>Unreserved:</b>			
Undesignated (deficit), reported in:			
General fund . . . . .	(1,227,991)	-	(1,227,991)
Special revenue funds . . . . .	-	443,861	443,861
Capital projects funds . . . . .	-	(145,087)	(145,087)
<b>Total fund balances (deficit).</b> . . . . .	<b>(111,767)</b>	<b>493,524</b>	<b>381,757</b>
<b>Total liabilities and fund balances</b> . . . . .	<b>\$ 3,834,249</b>	<b>\$ 1,654,194</b>	<b>\$ 5,488,443</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, 2006

<b>Total governmental fund balances</b>		\$ 381,757
<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.		38,184,337
Other long-term assets, such as delinquent taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.		343,793
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.		(20,360)
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	2,467,358	
Lease purchase agreement payable	2,646,000	
Compensated absences	664,840	
Total		(5,778,198)
<b>Net assets of governmental activities</b>		<b>\$ 33,111,329</b>

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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,328,153	\$ 319,951	\$ 2,648,104
Tuition. . . . .	43,536	-	43,536
Earnings on investments. . . . .	43,806	2,845	46,651
Charges for services. . . . .	-	93,725	93,725
Extracurricular. . . . .	-	162,783	162,783
Classroom materials and fees . . . . .	2,501	-	2,501
Other local revenues. . . . .	223,437	19,362	242,799
Intergovernmental - Intermediate. . . . .	-	2,000	2,000
Intergovernmental - State. . . . .	8,853,589	1,177,261	10,030,850
Intergovernmental - Federal . . . . .	-	1,411,654	1,411,654
Total revenue . . . . .	<u>11,495,022</u>	<u>3,189,581</u>	<u>14,684,603</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,165,880	734,967	5,900,847
Special. . . . .	1,096,011	783,083	1,879,094
Vocational. . . . .	213,465	-	213,465
Adult/continuing. . . . .	-	490	490
Other. . . . .	166,082	1,761	167,843
Support services:			
Pupil. . . . .	425,755	133,955	559,710
Instructional staff . . . . .	277,741	107,165	384,906
Board of education . . . . .	23,538	-	23,538
Administration. . . . .	966,949	53,474	1,020,423
Fiscal . . . . .	319,198	6,164	325,362
Business . . . . .	50,837	-	50,837
Operations and maintenance. . . . .	1,554,748	65,853	1,620,601
Pupil transportation . . . . .	342,265	71,230	413,495
Operation of non-instructional services:			
Food service operations . . . . .	-	572,502	572,502
Other non-instructional services. . . . .	-	14,247	14,247
Extracurricular activities. . . . .	195,518	162,627	358,145
Facilities acquisition and construction . . . . .	-	127,597	127,597
Intergovernmental pass through . . . . .	-	58,175	58,175
Debt service:			
Principal retirement . . . . .	98,000	105,000	203,000
Interest and fiscal charges . . . . .	138,526	127,807	266,333
Total expenditures . . . . .	<u>11,034,513</u>	<u>3,126,097</u>	<u>14,160,610</u>
Excess of revenues under expenditures . . . . .	<u>460,509</u>	<u>63,484</u>	<u>523,993</u>
<b>Other financing sources:</b>			
Lease purchase agreement. . . . .	-	94,892	94,892
Total other financing sources. . . . .	<u>-</u>	<u>94,892</u>	<u>94,892</u>
Net change in fund balances . . . . .	460,509	158,376	618,885
<b>Fund balances (deficit) at beginning of year. . . . .</b>	<u>(572,276)</u>	<u>335,148</u>	<u>(237,128)</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (111,767)</u>	<u>\$ 493,524</u>	<u>\$ 381,757</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, 2006

<b>Net change in fund balances - total governmental funds</b>	\$	618,885
 <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	\$ 149,768	
Depreciation expense	(1,286,597)	
Total		(1,136,829)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(275,681)
 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.		
		203,000
 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.		
		(94,892)
 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	231	
Accreted interest	(21,165)	
Total		(20,934)
 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.		
		(77,226)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(783,677)</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, 2006

	<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 . . . . .	\$ 2,170,648	\$ 2,270,399	\$ 2,285,828	\$ 15,429
Tuition. . . . .	27,013	28,254	28,529	275
Earnings on investments. . . . .	41,478	43,384	43,806	422
Classroom materials and fees . . . . .	2,368	2,477	2,501	24
Other local revenues . . . . .	126,395	132,203	133,488	1,285
Intergovernmental - State . . . . .	8,383,082	8,768,321	8,853,589	85,268
Intergovernmental - Federal. . . . .	25,279	26,441	26,698	257
Total revenue . . . . .	<u>10,776,263</u>	<u>11,271,479</u>	<u>11,374,439</u>	<u>102,960</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,480,471	5,660,164	5,573,002	87,162
Special. . . . .	1,043,233	1,077,438	1,060,846	16,592
Vocational. . . . .	202,397	209,033	205,814	3,219
Other. . . . .	163,325	168,680	166,082	2,598
Support services:				
Pupil. . . . .	410,525	423,985	417,456	6,529
Instructional staff . . . . .	267,516	276,287	272,032	4,255
Board of education . . . . .	28,494	29,428	28,975	453
Administration. . . . .	890,142	919,328	905,171	14,157
Fiscal . . . . .	319,546	330,023	324,941	5,082
Business . . . . .	54,428	56,213	55,347	866
Operations and maintenance. . . . .	1,581,327	1,633,175	1,608,025	25,150
Pupil transportation . . . . .	353,619	365,213	359,589	5,624
Extracurricular activities. . . . .	195,156	201,255	198,155	3,100
Debt service:				
Principal retirement. . . . .	98,000	98,000	98,000	-
Interest and fiscal charges . . . . .	134,599	142,226	138,526	3,700
Total expenditures . . . . .	<u>11,222,778</u>	<u>11,590,448</u>	<u>11,411,961</u>	<u>178,487</u>
Excess of revenues over (under) expenditures. . . . .	<u>(446,515)</u>	<u>(318,969)</u>	<u>(37,522)</u>	<u>281,447</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	84,747	88,642	89,504	862
Transfers in. . . . .	8,906	9,315	9,405	90
Transfers (out) . . . . .	(9,249)	(9,552)	(9,405)	147
Advances in. . . . .	101,919	106,603	107,640	1,037
Total other financing sources (uses) . . . . .	<u>186,323</u>	<u>195,008</u>	<u>197,144</u>	<u>2,136</u>
Net change in fund balance . . . . .	(260,192)	(123,961)	159,622	283,583
<b>Fund balance at beginning of year. . . . .</b>	141,916	141,916	141,916	-
<b>Prior year encumbrances appropriated . . . . .</b>	26,377	26,377	26,377	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ (91,899)</u>	<u>\$ 44,332</u>	<u>\$ 327,915</u>	<u>\$ 283,583</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, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 43,757	\$ 45,728
Receivables:		
Accrued interest. . . . .	53	-
Total assets. . . . .	43,810	\$ 45,728
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 875
Due to students . . . . .	-	44,853
Total liabilities . . . . .	-	\$ 45,728
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	43,810	
Total net assets . . . . .	\$ 43,810	

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, 2006

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,800
Gifts and contributions. . . . .	14,850
	16,650
Total additions. . . . .	16,650
<b>Reductions:</b>	
Scholarships awarded . . . . .	13,150
	3,500
Change in net assets . . . . .	3,500
Net assets at beginning of year. . . . .	40,310
	43,810
Net assets at end of year . . . . .	\$ 43,810

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, 2006**

**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 375th largest in the State of Ohio (among 615 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 132 certificated and 81 non-certificated personnel to provide services to approximately 1,497 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, food services, 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, 2006

**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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

*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 is the District's major governmental fund:

*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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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, 2006, but which were levied to finance fiscal year 2007 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 2006 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.
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 2006.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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, 2006; 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, 2006, the District had no investments, as all District monies were held in depository accounts (see Note 4).

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 2006 amounted to \$43,806, which includes \$28,260 assigned from other funds.

The District maintains a segregated bank account with a trustee to account for the draw-down of funds for the improvements to the District's stadium facility. These amounts are presented in the Basic Financial Statements as "Cash with fiscal agent".

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.

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**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 2006, 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, 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:

<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.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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, 2006, 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, 2006, 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.

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**

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, property taxes unavailable for appropriation, materials and supplies inventory, textbooks, loans to other funds, BWC refunds, and debt service.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**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. As of June 30, 2006, the District does not have any prepayments.

**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 and BWC refunds received prior to April 10, 2001. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

**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 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46, and GASB Statement No. 47 had no effect on fund balances and net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Governmental Funds</u>	<u>Deficit</u>
General	\$ 111,767
 <u>Nonmajor Governmental Funds</u>	
Teacher Development	280
Adult Basic Education	1,454
Eisenhower Professional Development	10
Title I Disadvantaged Children	47,066
Improving Teacher Quality	12,658
Miscellaneous Federal Grant	49,682
Classroom Facilities	197,550
Technology Equity	8

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. These deficit balances are the result of adjustments for accrued liabilities.

**CAMPBELL CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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, 2006

**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, 2006, the carrying amount of all District deposits was \$2,024,692. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$203,445 of the District's bank balance of \$2,082,068 was covered by the Federal Deposit Insurance Corporation, while \$1,878,623 was exposed to custodial risk as discussed below.

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, 2006:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 2,024,692
Total	<u>\$ 2,024,692</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,935,207
Private-purpose trust funds	43,757
Agency funds	<u>45,728</u>
Total	<u>\$ 2,024,692</u>

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2006 consist of the following 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	\$ 10,636

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, 2006 are reported on the Statement of Net Assets.

- B. Interfund balances at June 30, 2006 consist of the following 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.

**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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

**CAMPBELL CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2006, are available to finance fiscal year 2006 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real property	\$ 62,689,850	89.17	\$ 77,025,630	92.30
Public utility personal property	3,641,510	5.18	3,200,310	3.84
Tangible personal property	<u>3,974,630</u>	<u>5.65</u>	<u>3,221,438</u>	<u>3.86</u>
Total assessed valuation	<u>\$ 70,305,990</u>	<u>100.00</u>	<u>\$ 83,447,378</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 44.60		\$ 44.60	
Bonded debt	3.85		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, 2006

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts, 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	\$ 3,099,207
Accounts	22,364
Intergovernmental	<u>148,221</u>
Total	<u>\$ 3,269,792</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, 2006 was as follows:

<b><u>Governmental Activities</u></b>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 130,245	\$ -	\$ -	\$ 130,245
<i>Total capital assets, not being depreciated</i>	<u>130,245</u>	<u>-</u>	<u>-</u>	<u>130,245</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,620,535	-	-	1,620,535
Buildings and improvements	38,059,183	-	-	38,059,183
Equipment and furniture	2,625,231	30,770	-	2,656,001
Vehicles	635,440	118,998	-	754,438
<i>Total capital assets, being depreciated</i>	<u>42,940,389</u>	<u>149,768</u>	<u>-</u>	<u>43,090,157</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(91,306)	(81,027)	-	(172,333)
Buildings and improvements	(2,136,078)	(768,951)	-	(2,905,029)
Equipment and furniture	(1,112,077)	(387,397)	-	(1,499,474)
Vehicles	(410,007)	(49,222)	-	(459,229)
<i>Total accumulated depreciation</i>	<u>(3,749,468)</u>	<u>(1,286,597)</u>	<u>-</u>	<u>(5,036,065)</u>
Total capital assets, net	<u>\$ 39,321,166</u>	<u>\$(1,136,829)</u>	<u>\$ -</u>	<u>\$ 38,184,337</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 677,832
Special	76,895
 <u>Support Services:</u>	
Instructional staff	32,988
Board of education	4,383
Administration	32,988
Fiscal	6,613
Operations and maintenance	92,161
Pupil transportation	49,722
Extracurricular activities	234,414
Food service operations	<u>78,601</u>
Total depreciation expense	<u>\$ 1,286,597</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 of \$94,892 were received in fiscal year 2006. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal 2006, the District paid \$98,000 in principal and \$138,526 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.

The following is a schedule of the future base rent and program costs (lease) payments required under the lease-purchase agreement as of June 30, 2006:

Year Ending June 30	Base Rent Components		Program Costs	Total
	Principal	Interest		
2007	\$ 103,000	\$ 66,239	\$ 1,985	\$ 171,224
2008	108,000	127,106	3,982	239,088
2009	113,000	121,534	3,734	238,268
2010	119,000	115,761	3,568	238,329
2011	125,000	109,737	3,394	238,131
2012 - 2016	722,000	448,838	14,040	1,184,878
2017 - 2021	921,000	250,548	8,198	1,179,746
2022 - 2023	<u>435,000</u>	<u>32,881</u>	<u>1,298</u>	<u>469,179</u>
Total	<u>\$ 2,646,000</u>	<u>\$ 1,272,644</u>	<u>\$ 40,199</u>	<u>\$ 3,958,843</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - 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, 2006 are as follows:

Fiscal Year Ending June 30	Amount
2007	\$ 49,610
Total	\$ 49,610

**NOTE 11 - 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, 2006, the total cost of the Construction Project was \$27,951,603, of which OSFC paid \$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, 2006 was \$114,000. A total of \$98,358 in accreted interest on the capital appreciation bonds has been included in the District's long-term liabilities at June 30, 2006. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal 2006 on the general obligation bonds:

	Balance Outstanding <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental Activities</u></b>					
Current interest bonds	\$ 2,360,000	\$ -	\$ (105,000)	\$ 2,255,000	\$ 110,000
Capital appreciation bonds	191,193	21,165	-	212,358	-
Total general obligation bonds	<u>\$ 2,551,193</u>	<u>\$ 21,165</u>	<u>\$ (105,000)</u>	<u>\$ 2,467,358</u>	<u>\$ 110,000</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>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	140,000	97,142	237,142	-	-	-
2012 - 2016	300,000	427,701	727,701	114,000	351,000	465,000
2017 - 2021	900,000	260,187	1,160,187	-	-	-
2022 - 2023	435,000	25,444	460,444	-	-	-
Total	<u>\$ 2,255,000</u>	<u>\$ 1,264,788</u>	<u>\$ 3,519,788</u>	<u>\$ 114,000</u>	<u>\$ 351,000</u>	<u>\$ 465,000</u>

**B.** During fiscal 2006, the following changes occurred for the obligations reported in long-term liabilities:

	Balance <u>6/30/2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2006</u>	Amounts Due In <u>One Year</u>
<b><u>Governmental Activities:</u></b>					
<b><u>General obligation bonds</u></b>					
Current interest bonds	\$ 2,360,000	\$ -	\$ (105,000)	\$ 2,255,000	\$ 110,000
Capital appreciation bonds	114,000	-	-	114,000	-
Accreted interest-capital appreciation bonds	77,193	21,165	-	98,358	-
Lease purchase agreement	2,649,108	94,892	(98,000)	2,646,000	103,000
Compensated absences	587,614	95,507	(18,281)	664,840	189,086
Total	<u>\$ 5,787,915</u>	<u>\$ 211,564</u>	<u>\$ (221,281)</u>	<u>\$ 5,778,198</u>	<u>\$ 402,086</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margins**

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, 2006 are a legal voted debt margin of \$5,130,580 (including \$87,674 of available funds in the Bond Retirement debt service fund) and an unvoted debt margin of \$83,447.

**NOTE 12 - 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 equipment, media/data (software), musical instruments and miscellaneous school equipment. The comprehensive commercial insurance coverage limits are \$33,415,443 and a deductible of \$5,000. 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. In October 2005, the District entered into an agreement with Medical Mutual Services, LLC.

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 provides full-time employees with 100% Board paid hospitalization, prescription drugs, vision and dental insurance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

As a penalty-rated organization, the District is not eligible for group rating due to the fact that the total claims cost, including compensation, medical costs and reserves, exceeded the established amount of the District's expected losses set by the Ohio Bureau of Workers' Compensation (BWC). However, the District does see the need to become proactive in the management of claims in order to decrease the financial impact of claims on the District's premiums. With the assistance of the BWC, Corvel (Managed Care Organization) and Sheakley UniService (Third Party Administrator), the District strives to implement workplace safety solutions and cost-saving strategies in order to be able to participate once again in the Group Rating Program.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (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. That 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 (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$196,020, \$254,910, and \$243,425, respectively. 38.94 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$119,696 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - PENSION PLANS - (Continued)**

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 percent 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$757,010, \$808,766, and \$811,825, respectively. 76.42 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$178,520 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,429 made by the District and \$9,388 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$58,232 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$99,703 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 15 - 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:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 159,622
Net adjustment for revenue accruals	120,583
Net adjustment for expenditure accruals	(163,181)
Net adjustment for other financing sources/uses	(197,144)
Adjustment for encumbrances	540,629
GAAP basis	\$ 460,509

**NOTE 16 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 17 - 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>School Bus Purchases</u>	<u>BWC Refunds</u>
Set-aside balance at June 30, 2005	\$ 118,644	\$(2,818,108)	\$ 21,274	\$ 80,192
Current year set-aside requirement	230,124	230,124	-	-
Current year offsets	-	(95,037)		
Current year qualifying expenditures	<u>(124,511)</u>	<u>(200,646)</u>	<u>(21,274)</u>	<u>-</u>
Set-aside balance at June 30, 2006	<u>\$ 224,257</u>	<u>\$(2,883,667)</u>	<u>\$ -</u>	<u>\$ 80,192</u>
Set-aside balance carried forward to FY2007	<u>\$ 224,257</u>	<u>\$(2,883,667)</u>	<u>\$ -</u>	<u>\$ 80,192</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.

A schedule of restricted assets at June 30, 2006 follows:

Restricted for textbooks	\$ 224,257
Restricted for BWC refunds	<u>80,192</u>
Total	<u>\$ 304,449</u>

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT**

On July 6, 2006, the District entered into a new lease-purchase agreement. This lease-purchase agreement is through National City Bank, for 602 Gateway E-4500D computers, in the amount of \$479,794, at an interest rate of 4.58%, payable quarterly, with a \$1 bargain purchase price option at the end of the lease, and was approved per Board resolution # 2006-81.

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CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006

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.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program		10.553	\$81,540		\$81,540	
National School Lunch Program		10.555	348,054		348,054	
Sub-Total U.S. Department of Agriculture - Nutrition Cluster			<b>429,594</b>		<b>429,594</b>	
Food Donation Program		10.550		\$63,706		\$63,706
Fresh Fruit and Vegetable Program		10.582	4,829		4,829	
Total U.S. Department of Agriculture			<b>434,423</b>	<b>\$63,706</b>	<b>434,423</b>	<b>\$63,706</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-06	84.027	342,438		275,395	
	6B-SF-05	84.027	30,266		74,072	
Total Special Education Grants to States			<b>372,704</b>		<b>349,467</b>	
Title I Grants to Local Educational Agencies	C1-S1-06	84.010	539,100		469,250	
	C1-S1-05	84.010	21,972		88,654	
Total Title I Grants to Local Educational Agencies			<b>561,072</b>		<b>557,904</b>	
Safe and Drug-Free Schools and Communities	DR-S1-06	84.186	11,193		9,970	
	DR-S1-05	84.186	5,253		4,295	
Total Safe and Drug-Free Schools and Communities			<b>16,446</b>		<b>14,265</b>	
State Grants for Innovative Programs	C2-S1-06	84.298	5,854		5,038	
	C2-S1-05	84.298	406		1,405	
Total State Grants for Innovative Programs			<b>6,260</b>		<b>6,443</b>	
Education Technology State Grants	TJ-S1-06	84.318	12,950		12,899	
	TJ-S1-05	84.318	3,174		3,036	
Total Education Technology State Grants			<b>16,124</b>		<b>15,935</b>	
Advanced Placement Program	AV-TF-05	84.330	52		52	
Total Advanced Placement Program			<b>52</b>		<b>52</b>	
Improving Teacher Quality State Grants	TR-S1-06	84.367	107,226		95,126	
	TR-S1-05	84.367	13,614		16,984	
Total Improving Teacher Quality State Grants			<b>120,840</b>		<b>112,110</b>	
Total U.S. Department of Education			<b>1,093,498</b>		<b>1,056,176</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program		93.778	26,699		26,699	
Total U.S. Department of Health and Human Services			<b>26,699</b>		<b>26,699</b>	
<b>Totals</b>			<b>\$1,554,620</b>	<b>\$63,706</b>	<b>\$1,517,298</b>	<b>\$63,706</b>

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, 2006**

**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**

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

**NOTE C – FOOD DONATION PROGRAM**

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 value of the commodities received.



# Mary Taylor, CPA

Auditor of State

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

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, Mahoning County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 4, 2007. 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 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 September 4, 2007, 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 September 4, 2007, 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. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

September 4, 2007



# Mary Taylor, CPA

Auditor of State

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

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, 2006. 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, 2006.

### 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated September 4, 2007.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 4, 2007

**CAMPBELL CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<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 noncompliance 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):	Title I Grants to Local Educational Agencies – CFDA #84.010
<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**

NONE

**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	





**Mary Taylor, CPA**  
Auditor of State

**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 8, 2007**