



**Auditor of State
Betty Montgomery**

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2004, 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, 2004, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Permanent Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements^B and Management's Discussion and Analysis^B for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, 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 also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 22, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The 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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$48,227 which represents a 0.13% increase from 2003.
- General revenues accounted for \$10,867,433 in revenue or 79.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,881,059 or 20.96% of total revenues of \$13,748,492.
- The District had \$13,700,265 in expenses related to governmental activities; \$2,881,059 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,867,433 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$10,492,232 in revenues and other financing sources and \$11,109,391 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$617,159 from \$352,983 to a deficit of \$264,176.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$1,487,401 in revenues and other financing sources and \$2,473,387 in expenditures and other financing uses. During fiscal year 2004, the permanent improvement fund's fund balance decreased \$985,986 from \$418,094 to a deficit of \$567,892.

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 and permanent improvement fund are by far the most significant funds, and the only governmental fund reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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 2004?" 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 funds 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 major governmental funds are the general fund and permanent improvement 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, 2004
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 22-49 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 5,963,552
Capital assets, net	<u>40,570,319</u>
Total assets	<u>46,533,871</u>
<u>Liabilities</u>	
Current liabilities	4,859,617
Long-term liabilities	<u>4,875,541</u>
Total liabilities	<u>9,735,158</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	36,382,565
Restricted	615,968
Unrestricted (deficit)	<u>(199,820)</u>
Total net assets	<u>\$ 36,798,713</u>

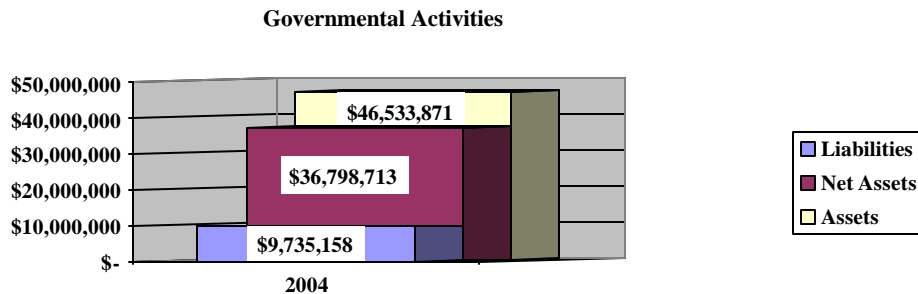
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$36,798,713. Of this total, \$615,968 is restricted in use.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

At year-end, capital assets represented 87.18% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$36,382,565. 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, \$615,968, 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 \$199,820.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2004
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 203,323
Operating grants and contributions	2,635,711
Capital grants and contributions	42,025
General revenues:	
Property taxes	2,380,115
Grants and entitlements	8,419,368
Investment earnings	13,142
Other	54,808
Total revenues	<u>13,748,492</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 5,857,492
Special	1,975,933
Vocational	197,401
Other	169,615
Support services:	
Pupil	609,035
Instructional staff	494,944
Board of education	12,214
Administration	847,252
Fiscal	304,702
Business	53,434
Operations and maintenance	1,524,385
Pupil transportation	280,072
Central	1,091
Food service operations	641,678
Operations of non-instructional services	32,363
Extracurricular activities	414,962
Intergovernmental pass-through	61,371
Interest and fiscal charges	<u>222,321</u>
Total expenses	<u>13,700,265</u>
Change in net assets	48,227
Net assets at beginning of year	<u>36,750,486</u>
Net assets at end of year	<u>\$ 36,798,713</u>

Governmental Activities

Net assets of the District's governmental activities increased \$48,227. Total governmental expenses of \$13,700,265 were offset by program revenues of \$2,881,059 and general revenues of \$10,867,433. Program revenues supported 21.03% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 78.55% of total governmental revenue.

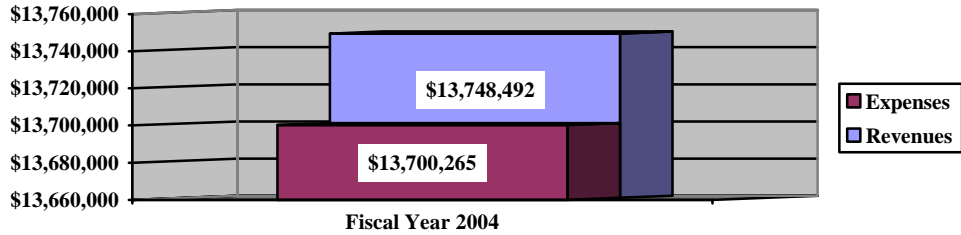
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,200,441 or 59.86% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

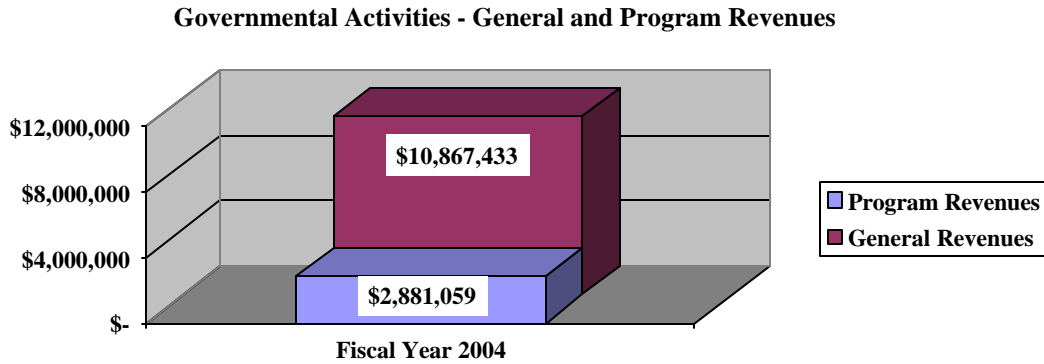
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 5,857,492	\$ 4,959,562
Special	1,975,933	1,284,466
Vocational	197,401	197,401
Other	169,615	169,615
Support services:		
Pupil	609,035	414,251
Instructional staff	494,944	241,325
Board of education	12,214	12,214
Administration	847,252	809,675
Fiscal	304,702	304,681
Business	53,434	53,434
Operations and maintenance	1,524,385	1,519,681
Pupil transportation	280,072	277,570
Central	1,091	(984)
Food service operations	641,678	88,569
Operations of non-instructional services	32,363	8,131
Extracurricular activities	414,962	306,806
Intergovernmental pass-through	61,371	(14,229)
Interest and fiscal charges	222,321	187,038
Total expenses	\$ 13,700,265	\$ 10,819,206

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 80.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.97%. 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 2004.



The District's Funds

The District's governmental funds reported a combined fund deficit balance of \$388,610, which is lower than last year's total of \$1,116,126. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance (Deficit) June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ (264,176)	\$ 352,983	\$ (617,159)	(174.84) %
Permanent Improvement	(567,892)	418,094	(985,986)	(235.83) %
Other Governmental	<u>443,458</u>	<u>345,049</u>	<u>98,409</u>	28.52 %
Total	<u>\$ (388,610)</u>	<u>\$ 1,116,126</u>	<u>\$ (1,504,736)</u>	(134.82) %

General Fund

The District's general fund balance decreased \$617,159 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. Expenditures exceed revenues for fiscal year 2004 by \$303,983. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. 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, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,998,755	\$ 2,087,323	\$ (88,568)	(4.24) %
Earnings on investments	3,415	74,240	(70,825)	(95.40) %
Intergovernmental	8,419,368	8,045,255	374,113	4.65 %
Other revenues	<u>31,272</u>	<u>72,527</u>	<u>(41,255)</u>	(56.88) %
Total	<u>\$ 10,452,810</u>	<u>\$ 10,279,345</u>	<u>\$ 173,465</u>	1.69 %
<u>Expenditures</u>				
Instruction	\$ 6,522,419	\$ 5,915,267	\$ 607,152	10.26 %
Support services	3,729,933	4,173,633	(443,700)	(10.63) %
Non-instructional services	6,395	-	6,395	100.00 %
Extracurricular activities	188,348	176,324	12,024	6.82 %
Debt service	<u>309,698</u>	<u>-</u>	<u>309,698</u>	100.00 %
Total	<u>\$ 10,756,793</u>	<u>\$ 10,265,224</u>	<u>\$ 491,569</u>	4.79 %

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 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,767,565 and final budgeted revenues and other financing sources were \$11,183,819. Actual revenues and other financing sources for fiscal 2004 was \$11,185,809. This represents a \$418,244 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,690,343 were increased to \$12,200,299 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$12,017,823, which was \$182,476 less than the final budget appropriations.

Permanent Improvement Fund

The permanent improvement fund had \$1,487,401 in revenues and other financing sources and \$2,473,387 in expenditures and other financing uses. During fiscal year 2004, the permanent improvement fund's fund balance decreased \$985,986 from \$418,094 to a deficit of \$567,892.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$40,570,319 invested in land, and improvements, buildings and improvements, furniture and equipment and vehicles. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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

	Governmental Activities	
	2004	2003
Land	\$ 130,245	\$ 130,245
Land improvements	1,610,256	-
Building and improvements	36,658,501	35,630,489
Furniture and equipment	1,900,133	1,873,760
Vehicles	271,184	210,547
 Total	 \$ 40,570,319	 \$ 37,845,041

The overall increase in capital assets of \$2,725,278 is due to capital outlays of \$3,883,546 exceeding depreciation expense of \$1,158,268 in the fiscal year.

Debt Administration

At June 30, 2004, the District had \$2,632,136 in general obligation bonds, \$47,522 in energy conservation notes, \$1,397,471 in a lease purchase agreement, \$168,761 in a capital lease agreement and \$629,651 in compensated absences outstanding. Of this total, \$525,347 is due within one year and \$4,350,194 is due within greater than one year. See Note 12 to the basic financial statements for additional information. The following table summarizes the bonds, notes, lease agreements and compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	\$ 2,632,136	\$ 2,709,980
Energy conservation notes	47,522	139,501
Lease purchase agreement	1,397,471	-
Capital lease agreement	168,761	337,522
Compensated absences	629,651	572,188
 Total	 \$ 4,875,541	 \$ 3,759,191

At June 30, 2004, the District's overall legal debt margin was \$3,661,899, and an unvoted debt margin of \$70,432.

Current Financial Related Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

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

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

We have an Emergency Levy in existence which produces almost \$1,000,000 annually, which needs to be renewed in 2005. Since we have never had a renewal levy fail in this community, we anticipate that it will be renewed. However, because of State Legislative action in reducing Personal Tangible Taxes and no growth in real estate, our tax valuation is actually dropping, causing a slow, steady decline in local taxes.

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

The Campbell City Board of Education, Superintendent, Treasurer, and other administrators are working very hard to control expenses (some of which have "mushroomed" because of the operating expenses of the new school buildings). We are also suffering decreasing enrollment in our District because of community school enrollment and transfers of funds to those schools. We anticipate the future need of a new additional operating levy, possibly in 2006.

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. Patricia McLaughlin, Treasurer, Campbell City School District, 280 Sixth Street, Campbell, Ohio 44405.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 1,748,584
Receivables:	
Taxes	3,858,663
Intergovernmental	287,796
Prepayments	49,028
Materials and supplies inventory	19,481
Capital assets:	
Land	130,245
Depreciable capital assets, net	40,440,074
Capital assets, net.	<u>40,570,319</u>
 Total assets.	 <u>46,533,871</u>
Liabilities:	
Accounts payable.	56,835
Contracts payable.	1,139,538
Accrued wages and benefits	1,018,115
Pension obligation payable.	322,437
Intergovernmental payable	13,980
Deferred revenue	2,297,912
Accrued interest payable	10,800
Long-term liabilities:	
Due within one year.	525,347
Due within more than one year	4,350,194
 Total liabilities	 <u>9,735,158</u>
Net Assets:	
Invested in capital assets, net of related debt.	36,382,565
Restricted for:	
Debt service.	133,620
Other purposes	482,348
Unrestricted (deficit)	<u>(199,820)</u>
 Total net assets	 <u>\$ 36,798,713</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, 2004

	Program Revenues			Capital	Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 5,857,492	\$ 3,657	\$ 852,248	\$ 42,025	\$ (4,959,562)
Special	1,975,933	-	691,467	-	(1,284,466)
Vocational	197,401	-	-	-	(197,401)
Other	169,615	-	-	-	(169,615)
Support services:					
Pupil	609,035	-	194,784	-	(414,251)
Instructional staff	494,944	-	253,619	-	(241,325)
Board of education	12,214	-	-	-	(12,214)
Administration	847,252	-	37,577	-	(809,675)
Fiscal	304,702	-	21	-	(304,681)
Business	53,434	-	-	-	(53,434)
Operations and maintenance	1,524,385	-	4,704	-	(1,519,681)
Pupil transportation	280,072	-	2,502	-	(277,570)
Central	1,091	-	2,075	-	984
Operation of non-instructional services:					
Food service operations	641,678	91,694	461,415	-	(88,569)
Other non-instructional services	32,363	-	24,232	-	(8,131)
Extracurricular activities	414,962	107,972	184	-	(306,806)
Intergovernmental pass-through	61,371	-	75,600	-	14,229
Interest and fiscal charges	222,321	-	35,283	-	(187,038)
Total governmental activities	\$ 13,700,265	\$ 203,323	\$ 2,635,711	\$ 42,025	(10,819,206)
 General Revenues:					
Property taxes levied for:					
General purposes					2,019,687
Special revenue					33,812
Debt service					326,616
Grants and entitlements not restricted					
to specific programs					8,419,368
Investment earnings					13,142
Miscellaneous					54,808
Total general revenues					10,867,433
Change in net assets					48,227
Net assets at beginning of year (restated) .					36,750,486
Net assets at end of year					\$ 36,798,713

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 380,526	\$ 571,646	\$ 716,220	\$ 1,668,392
Receivables:				
Taxes	3,332,609	-	526,054	3,858,663
Intergovernmental	28,631	-	259,165	287,796
Interfund receivable	56,223	-	-	56,223
Loans to other funds	248,412	-	-	248,412
Prepayments	49,028	-	-	49,028
Materials and supplies inventory	-	-	19,481	19,481
Restricted assets:				
Equity in pooled cash and cash equivalents	80,192	-	-	80,192
Total assets	<u>\$ 4,175,621</u>	<u>\$ 571,646</u>	<u>\$ 1,520,920</u>	<u>\$ 6,268,187</u>
Liabilities:				
Accounts payable	\$ 27,214	\$ -	\$ 29,621	\$ 56,835
Contracts payable	-	1,139,538	-	1,139,538
Accrued wages and benefits	852,842	-	165,273	1,018,115
Compensated absences payable	49,766	-	15,889	65,655
Pension obligation payable.	165,870	-	33,506	199,376
Intergovernmental payable.	11,496	-	2,484	13,980
Interfund payable.	-	-	56,223	56,223
Loans from other funds.	-	-	248,412	248,412
Deferred revenue.	3,332,609	-	526,054	3,858,663
Total liabilities	<u>4,439,797</u>	<u>1,139,538</u>	<u>1,077,462</u>	<u>6,656,797</u>
Fund Balances:				
Reserved for encumbrances	24,423	543,352	141,737	709,512
Reserved for materials and supplies inventory.	-	-	19,481	19,481
Reserved for prepayments	49,028	-	-	49,028
Reserved for debt service.	-	-	2,672	2,672
Reserved for BWC refunds.	80,192	-	-	80,192
Reserved for loans receivable	248,412	-	-	248,412
Unreserved:				
Designated for budget stabilization.	273,745	-	-	273,745
Undesignated, (deficit), reported in:				
General fund.	(939,976)	-	-	(939,976)
Special revenue funds	-	-	451,870	451,870
Capital projects funds	-	(1,111,244)	(172,302)	(1,283,546)
Total fund balances (deficit)	<u>(264,176)</u>	<u>(567,892)</u>	<u>443,458</u>	<u>(388,610)</u>
Total liabilities and fund balances	<u>\$ 4,175,621</u>	<u>\$ 571,646</u>	<u>\$ 1,520,920</u>	<u>\$ 6,268,187</u>

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, 2004

Total governmental fund balances		\$ (388,610)
<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.		40,570,319
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,560,751	
Total		1,560,751
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(563,996)	
Pension obligation payable	(123,061)	
Energy conservation bonds	(47,522)	
General obligation bonds payable	(2,632,136)	
Lease purchase agreement payable	(1,397,471)	
Capital lease agreement payable	(168,761)	
Accrued interest payable	(10,800)	
Total		(4,943,747)
Net assets of governmental activities		\$ 36,798,713

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, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 1,998,755	\$ -	\$ 352,984	\$ 2,351,739
Tuition.	1,065	-	-	1,065
Earnings on investments.	3,415	-	9,727	13,142
Charges for services.	-	-	91,694	91,694
Extracurricular.	-	-	107,972	107,972
Classroom materials and fees.	1,084	-	1,008	2,092
Other local revenues.	29,123	11,930	14,255	55,308
Intergovernmental - Intermediate.	-	-	5,000	5,000
Intergovernmental - State.	8,302,782	-	1,191,543	9,494,325
Intergovernmental - Federal	116,586	-	1,545,926	1,662,512
Total revenue	<u>10,452,810</u>	<u>11,930</u>	<u>3,320,109</u>	<u>13,784,849</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,820,638	-	980,447	5,801,085
Special.	1,316,291	-	691,499	2,007,790
Vocational.	206,664	-	-	206,664
Other.	178,826	-	-	178,826
Support services:				
Pupil.	457,285	-	202,952	660,237
Instructional staff	227,753	-	261,608	489,361
Board of education	8,292	-	-	8,292
Administration.	817,337	-	39,099	856,436
Fiscal	295,186	-	4,680	299,866
Business	56,336	-	-	56,336
Operations and maintenance.	1,519,912	-	2,872	1,522,784
Pupil transportation	347,832	-	2,044	349,876
Central.	-	-	1,150	1,150
Food service operations	-	-	593,937	593,937
Other non-instructional services.	6,395	-	27,725	34,120
Extracurricular activities.	188,348	-	122,727	311,075
Intergovernmental pass-through	-	-	61,311	61,311
Facilities acquisition and construction	-	2,073,387	612,367	2,685,754
Debt service:				
Principal retirement	246,761	-	186,979	433,740
Interest and fiscal charges	62,937	-	143,479	206,416
Total expenditures	<u>10,756,793</u>	<u>2,073,387</u>	<u>3,934,876</u>	<u>16,765,056</u>
Excess of revenues under expenditures	<u>(303,983)</u>	<u>(2,061,457)</u>	<u>(614,767)</u>	<u>(2,980,207)</u>
Other financing sources (uses):				
Transfers in	39,422	-	752,598	792,020
Transfers (out).	(352,598)	(400,000)	(39,422)	(792,020)
Lease purchase agreement transaction.	-	1,475,471	-	1,475,471
Total other financing sources (uses)	<u>(313,176)</u>	<u>1,075,471</u>	<u>713,176</u>	<u>1,475,471</u>
Net change in fund balances	(617,159)	(985,986)	98,409	(1,504,736)
Fund balances at beginning of year (restated)				
	<u>352,983</u>	<u>418,094</u>	<u>345,049</u>	<u>1,116,126</u>
Fund balances (deficit) at end of year.	<u>\$ (264,176)</u>	<u>\$ (567,892)</u>	<u>\$ 443,458</u>	<u>\$ (388,610)</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, 2004

Net change in fund balances - total governmental funds	\$	(1,504,736)
<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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,883,546) exceeds depreciation expense (\$1,158,268) in the current period.		2,725,278
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(36,357)
Proceeds of lease purchase agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets		(1,475,471)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		433,740
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.		(15,905)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(78,322)
		(78,322)
Change in net assets of governmental activities	\$	48,227

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT IN REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 1,924,020	\$ 1,998,399	\$ 1,998,755	\$ 356
Tuition.	1,024	1,064	1,064	-
Earnings on investments.	19,772	20,536	20,540	4
Classroom materials and fees	1,044	1,084	1,084	-
Other local revenues	28,057	29,142	29,147	5
Intergovernmental - State	7,992,335	8,301,304	8,302,782	1,478
Intergovernmental - Federal.	89,225	92,674	92,690	16
Total revenue	<u>10,055,477</u>	<u>10,444,203</u>	<u>10,446,062</u>	<u>1,859</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,797,237	5,006,501	4,931,621	74,880
Special.	1,308,361	1,365,434	1,345,012	20,422
Vocational.	202,117	210,934	207,779	3,155
Other.	173,953	181,541	178,826	2,715
Support services:				
Pupil.	432,543	451,412	444,660	6,752
Instructional staff	221,176	230,824	227,372	3,452
Board of education	7,990	8,339	8,214	125
Administration.	798,088	832,902	820,445	12,457
Fiscal	290,262	302,924	298,393	4,531
Business	54,801	57,191	56,336	855
Operations and maintenance.	1,688,809	1,762,478	1,736,117	26,361
Pupil transportation	443,697	463,052	456,126	6,926
Extracurricular activities.	180,953	188,847	186,022	2,825
Debt Service:				
Principal retirement.	123,937	129,344	127,409	1,935
Total expenditures	<u>10,723,924</u>	<u>11,191,723</u>	<u>11,024,332</u>	<u>167,391</u>
Excess of revenues over (under) expenditures.	<u>(668,447)</u>	<u>(747,520)</u>	<u>(578,270)</u>	<u>169,250</u>
Other financing sources (uses):				
Refund of prior year expenditure.	233	242	242	-
Transfers in.	217,837	226,258	226,298	40
Transfers (out)	(524,773)	(547,665)	(539,474)	8,191
Advances in.	494,018	513,116	513,207	91
Advances (out)	(441,646)	(460,911)	(454,017)	6,894
Total other financing sources (uses)	<u>(254,331)</u>	<u>(268,960)</u>	<u>(253,744)</u>	<u>15,216</u>
Net change in fund balance	(922,778)	(1,016,480)	(832,014)	184,466
Fund balance at beginning of year.	1,049,782	1,049,782	1,049,782	-
Prior year encumbrances appropriated	190,344	190,344	190,344	-
Fund balance at end of year	<u>\$ 317,348</u>	<u>\$ 223,646</u>	<u>\$ 408,112</u>	<u>\$ 184,466</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, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 43,124	\$ 28,633
Total assets.	43,124	\$ 28,633
Liabilities:		
Due to students	-	\$ 28,633
Total liabilities	-	\$ 28,633
Net Assets:		
Held in trust for scholarships	43,124	
Total net assets	\$ 43,124	

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, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 270
Gifts and contributions.	20,550
	20,820
Total additions.	20,820
Deductions:	
Scholarships awarded	17,400
	3,420
Change in net assets	3,420
Net assets at beginning of year.	39,704
	39,704
Net assets at end of year	\$ 43,124

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, 2004

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 353rd largest in the State of Ohio (among 614 public and community school districts) in terms of total enrollment. It currently operates one elementary school, one middle school, and one comprehensive high school. The District is staffed by 71 non-certificated and 145 certificated personnel to provide services to approximately 1,579 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 service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (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, 2004

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) is a joint venture among 22 school districts and 2 county boards of education. The joint venture 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 ACCESS based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution.

ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 425 West Main Street, Canfield, Ohio 44406.

Mahoning County Career & Technical Center

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

PUBLIC ENTITY RISK POOL

Mahoning County School Employees Insurance Consortium

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Permanent Improvement Fund - A fund used to account for all transactions related to the acquiring, constructing, or improving of permanent improvements as authorized by Chapter 5705, Revised Code.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 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 2004 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2004.
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, 2004; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the 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, 2004, 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 2004 amounted to \$3,415, which includes \$0 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. The change in capitalization threshold was the result of differences in asset costs between the time that the previous threshold was adopted and the current fiscal year, and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller capital assets (see Note 8). 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:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, 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, 2004, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

L. Fund Balance Reserves/Designations

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 326,858	\$ 418,094	\$ 162,818	\$ 907,770
Fund reclassifications	-	-	180,114	180,114
Implementation of GASB Interpretation No. 6	<u>26,125</u>	<u>-</u>	<u>2,117</u>	<u>28,242</u>
Restated fund balance, June 30, 2003	<u>\$ 352,983</u>	<u>\$ 418,094</u>	<u>\$ 345,049</u>	<u>\$ 1,116,126</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	Total
Restated fund balance, June 30, 2003	\$ 1,116,126
GASB 34 adjustments:	
Long-term (deferred) assets	1,597,108
Capital assets	37,845,041
Accrued interest payable	(12,051)
Pension obligation	(114,923)
Long-term liabilities	<u>(3,680,815)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 36,750,486</u>

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	Deficit
<u>Major Funds</u>	
General	\$ 264,176
Permanent Improvement	567,892
<u>Nonmajor Funds</u>	
Teacher Development	274
Adult Basic Education	954
EESA/NDEA	10
Title I	86
Title VI	1,916
Improving Teacher Quality	19,000
Miscellaneous Federal Grants	45,896
Classroom Facilities	197,550
SchoolNet Equipment	3

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 may 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 or 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 2% 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$1,820,341 and the bank balance was \$1,907,819. Of the bank balance:

1. \$183,218 was covered by federal depository insurance deposited with the District; and
2. \$1,724,601 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: As of June 30, 2004, the District had no investments, as all District monies were held in depository accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2004 consist of the following short-term interfund loans receivable and payable, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 56,223

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, 2004 are reported on the Statement of Net Assets.

- B.** Interfund balances at June 30, 2004 consist of the following loans to and from other funds, as reported in the fund financial statements:

Loans To Other Funds	Loans From Other Funds	Amount
General	Nonmajor Governmental Funds	\$ 248,412

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

- C.** Interfund transfers for the fiscal year ended June 30, 2004 consisted of the following, as reported in the fund financial statements:

	Amount
<u>Transfers to General Fund from:</u>	
Nonmajor Governmental funds	\$ 39,422
 <u>Transfers from General Fund to:</u>	
Nonmajor Governmental funds	352,598
 <u>Transfers from Permanent Improvement Fund to:</u>	
Nonmajor Governmental funds	400,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second		2004 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 62,141,390	85.15	\$ 62,716,520	89.05
Public utility personal	3,853,490	5.28	3,559,780	5.05
Tangible personal property	<u>6,983,940</u>	<u>9.57</u>	<u>4,155,760</u>	<u>5.90</u>
Total	<u>\$ 72,978,820</u>	<u>100.00</u>	<u>\$ 70,432,060</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 39.40		\$ 42.50	
Debt Service	3.65		3.55	
Permanent Improvement	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes	\$ 3,858,663
Intergovernmental	<u>287,796</u>
Total	<u>\$ 4,146,459</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated for changes in the District's capital asset policy, for errors and omissions reported in prior years, and to depreciate capital assets in accordance with GASB Statement No. 34. See Note 2.H. for detail:

	Balance June 30, 2003	Adjustments	Restated Balance June 30, 2003
<u>Governmental Activities</u>			
Capital assets, not being depreciated:			
Land	\$ 16,025	\$ 114,220	\$ 130,245
Total capital assets, not being depreciated	16,025	114,220	130,245
Capital assets, being depreciated:			
Buildings and improvements	32,039,162	4,237,490	36,276,652
Furniture and equipment	1,584,080	650,302	2,234,382
Vehicles	617,501	(90,579)	526,922
Total capital assets, being depreciated	34,240,743	4,797,213	39,037,956
<i>Less: accumulated depreciation:</i>	-	(1,323,160)	(1,323,160)
Governmental activities capital assets, net	<u>\$ 34,256,768</u>	<u>\$ 3,588,273</u>	<u>\$ 37,845,041</u>

**CAMPBELL CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Restated Balance June 30, 2003	Acquisitions	Disposals	Balance June 30, 2004
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 130,245	\$ -	\$ -	\$ 130,245
Total capital assets not being depreciated	130,245	-	-	130,245
Capital assets being depreciated:				
Land improvements	-	1,620,535	-	1,620,535
Buildings and improvements	36,276,652	1,763,644	-	38,040,296
Furniture and equipment	2,234,382	390,849	-	2,625,231
Vehicles	<u>526,922</u>	<u>108,518</u>	-	<u>635,440</u>
Total capital assets being depreciated	<u>39,037,956</u>	<u>3,883,546</u>	-	<u>42,921,502</u>
Less: accumulated depreciation:				
Land improvements	-	(10,279)	-	(10,279)
Building improvements	(646,163)	(735,632)	-	(1,381,795)
Furniture and equipment	(360,622)	(364,476)	-	(725,098)
Vehicles	(316,375)	(47,881)	-	(364,256)
Total accumulated depreciation	<u>(1,323,160)</u>	<u>(1,158,268)</u>	-	<u>(2,481,428)</u>
Governmental activities capital assets, net	<u>\$ 37,845,041</u>	<u>\$ 2,725,278</u>	<u>\$ -</u>	<u>\$ 40,570,319</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 642,905
Special	73,563
<u>Support Services:</u>	
Instructional staff	31,559
Board of education	4,193
Administration	31,559
Fiscal	6,326
Operations and maintenance	87,952
Pupil transportation	48,381
Extracurricular activities	156,081
Food service operations	<u>75,749</u>
Total depreciation expense	<u>\$ 1,158,268</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, with the remaining proceeds to be received in the subsequent year. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal 2004, the District paid \$78,000 in principal and \$49,409 in interest, which are reported as debt service expenditures in the General Fund. A liability in the amount of the present value of minimum lease payments has been reported in the governmental activities of the District.

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

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

In prior fiscal years, the District entered into a lease for the acquisition of computers and computer equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease, generally, as one which transfers benefits and risks of ownership to the lessee. Capital assets consisting of equipment have been capitalized in the amount of \$506,283. This amount represents the present value of the minimum lease payments at the time of inception. A corresponding liability has been recorded in the government-wide financial statements. During fiscal 2004, the District paid \$168,761 in principal and \$13,528 in interest, which are reported as debt service expenditures in the General Fund. These expenditures are reported as function expenditures on the budgetary statements.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	Amount
2005	<u>\$ 182,289</u>
Total minimum lease payments	182,289
Less: amount representing interest	<u>(13,528)</u>
Total	<u>\$ 168,761</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - OPERATING LEASE - LESSEE DISCLOSURE

The District is the lessee of copy machines and computer equipment under noncancellable operating leases. The operating leases have varying terms from three to five years. The future minimum lease payments as of June 30, 2004 are as follows:

Fiscal Year Ending June 30	Amount
2005	\$ 54,120
2006	54,120
2007	49,610
Total	\$ 157,850

NOTE 12 - LONG-TERM OBLIGATIONS

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

These bonds represent the amount of the Construction Project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2004, the total estimated cost of the Construction Project is \$27,951,603, of which OSFC will pay \$21,056,504.

This issue is comprised of both current interest bonds, par value \$2,905,000, and capital appreciation bonds, par value \$465,000. The interest rates on the current interest bonds range from 4.80% to 5.75%. The capital appreciation bonds mature on December 1, 2012 (effective interest 14.52%) and December 1, 2013 (effective interest 14.52%) and December 1, 2014 (effective interest 14.52%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of the issue date) reported as a long-term liability of the District at June 30, 2004 was \$114,000. A total of \$58,136 in accreted interest on the capital appreciation bonds has been included in the District's long-term liabilities at June 30, 2004. 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, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 on the general obligation bonds:

	Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
<u>Governmental Activities</u>					
Current interest bonds	\$ 2,555,000	\$ -	\$ (95,000)	\$ 2,460,000	\$ 100,000
Capital appreciation bonds	<u>154,980</u>	<u>17,156</u>	<u>-</u>	<u>172,136</u>	<u>-</u>
Total general obligation bonds	<u>\$ 2,709,980</u>	<u>\$ 17,156</u>	<u>\$ (95,000)</u>	<u>\$ 2,632,136</u>	<u>\$ 100,000</u>

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

Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 100,000	\$ 132,830	\$ 232,830	\$ -	\$ -	\$ -
2006	105,000	127,808	232,808	-	-	-
2007	110,000	122,486	232,486	-	-	-
2008	115,000	116,861	231,861	-	-	-
2009	125,000	110,766	235,766	-	-	-
2010 - 2014	415,000	462,149	877,149	310,000	-	310,000
2015 - 2019	665,000	354,345	1,019,345	155,000	-	155,000
2020 - 2023	825,000	98,101	923,101	-	-	-
Total	<u>\$ 2,460,000</u>	<u>\$ 1,525,346</u>	<u>\$ 3,985,346</u>	<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>

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

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

The following is a description of the District's energy conservation notes outstanding as of June 30, 2004:

	Interest Rate	Issue Date	Maturity Date	Outstanding 06/30/03	Retired in 2004	Outstanding 06/30/04	Amount Due In One Year
Energy Conservation Notes	5.15%	05/23/96	11/30/04	<u>\$ 139,501</u>	<u>\$ (91,979)</u>	<u>\$ 47,522</u>	<u>\$ 47,522</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending	Principal on Notes	Interest on Notes	Total
2005	<u>\$ 47,522</u>	<u>\$ 1,228</u>	<u>\$ 48,750</u>

- C. The long-term obligations balance has been restated as of June 30, 2003. The balance of the capital lease obligation at June 30, 2003 has been restated in order to correct for errors and omissions reported in prior years. The balance of compensated absences at June 30, 2003 has been restated for the implementation of GASB Interpretation No. 6, from \$485,734 to 572,188. The balance of pension obligations at June 30, 2003, \$100,161 has been removed from long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. Compensated absences will be paid from the fund in which the employee is paid. During the year ended June 30, 2004, the following changes occurred in the liabilities reported in long-term obligations.

	Balance <u>06/30/03</u>	Restatement	Restated Balance <u>7/1/2003</u>	Increases	Decreases	Balance <u>6/30/2004</u>	Amounts Due In <u>One Year</u>
General obligation bonds	\$ 2,709,980	\$ -	\$ 2,709,980	\$ 17,156	\$ (95,000)	\$ 2,632,136	\$ 100,000
Energy conservation notes	139,501	-	139,501		(91,979)	47,522	47,522
Lease purchase agreement	-	-	-	1,475,471	(78,000)	1,397,471	91,000
Capital lease obligation	-	337,522	337,522	-	(168,761)	168,761	168,761
Compensated absences	485,734	86,454	572,188	164,530	(107,067)	629,651	118,064
Pension benefit obligation	100,161	(100,161)	-	-	-	-	-
Total	<u>\$ 3,435,376</u>	<u>\$ 323,815</u>	<u>\$ 3,759,191</u>	<u>\$ 1,657,157</u>	<u>\$ (540,807)</u>	<u>\$ 4,875,541</u>	<u>\$ 525,347</u>

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$3,709,421 and an unvoted debt margin of \$70,432.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

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

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

B. Medical Benefits

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

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

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

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

C. Workers' Compensation

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% of was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory amount by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$243,425, \$244,935, and \$203,841, respectively; 50.38% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$120,790 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$811,825, \$778,000, and \$735,289, respectively; 91.35% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$70,248 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined plans for fiscal 2004 were \$22 made by the District and \$1,562 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$57,988 during fiscal 2004.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$127,592 during the 2004 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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:

	General Fund
Budget basis	\$ (832,014)
Net adjustment for revenue accruals	6,748
Net adjustment for expenditure accruals	214,933
Net adjustment for other sources/uses	(59,432)
Adjustment for encumbrances	<u>52,606</u>
GAAP basis	<u>\$ (617,159)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, 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.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (22,356)	\$ -	\$ 80,192
Current year set-aside requirement	221,295	221,295	-
Current year offsets	-	(1,696,766)	-
Current year qualifying disbursements	<u>(234,128)</u>	<u>(1,551,846)</u>	<u>-</u>
 Total	 <u>\$ (35,189)</u>	 <u>\$ (3,027,317)</u>	 <u>\$ 80,192</u>
 Cash balance carried forward to FY 2005	 <u>\$ (35,189)</u>	 <u>\$ (1,475,471)</u>	 <u>\$ 80,192</u>

The District had qualifying disbursements during the year that reduced the textbooks set-aside amount below zero. This extra amount is being carried forward to reduce the set-aside requirement of future years.

The District had current year offsets during the year that reduced the capital acquisition set-aside amount below zero. 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 reserved fund balance in the General Fund since allowable expenditures are restricted by state statute.

A schedule of reserved and designated fund balance at June 30, 2004 follows:

Fund balance reserved for BWC refunds	\$ 80,192
Fund balance designated for budget stabilization	<u>273,745</u>
 Total	 <u>\$ 353,937</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

Subsequent to June 30, 2004, during fiscal 2005, the District passed a renewal levy. This renewal levy is for 14.1 mills and for a period of five years, commencing in fiscal 2006 and first due in calendar year 2007. The renewal levy was passed in order to provide for the emergency requirements of the District.

**CAMBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution Program		10.550		\$73,498		\$73,498
National School Breakfast Program		10.553	\$61,679		\$61,679	
National School Lunch Program		10.555	258,198		258,198	
Total U.S. Department of Agriculture - Nutrition Cluster			319,877	73,498	319,877	73,498
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program</i>						
Literacy Through School Libraries		84.364	56,007		44,781	
Total Literacy Through School Libraries - Direct Program			56,007		44,781	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	6B-SF-04	84.027	200,592		200,767	
	6B-SF-03	84.027	59,760		25,081	
Total Special Education Grants to States			260,352		225,848	
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	576,261		522,659	
	C1-S1-03	84.010			52,910	
Total Title I Grants to Local Educational Agencies			576,261		575,569	
Safe and Drug-Free Schools	DR-S1-04	84.186	13,268		16,836	
	DR-S1-03	84.186	9,619		3,143	
	DR-S1-02	84.186	(3,209)			
Total Safe and Drug-Free Schools			19,678		19,979	
State Grants for Innovative Programs	C2-S1-04	84.298	9,326		9,480	
Education Technology State Grants	TJ-S1-04	84.318	10,521		11,166	
	TJ-S1-03	84.318	300			
Total Education Technology State Grants			10,821		11,166	
Improving Teacher Quality State Grants	TR-S1-04	84.367	114,996		117,081	
	TR-S1-03	84.367	6,333		22,371	
Total Improving Teacher Quality State Grants			121,329		139,452	
Total Department of Education			1,053,774		1,026,275	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Job and Family Services To the Ohio Department of Education</i>						
Temporary Assistance For Needy Families		93.558	22,764		22,764	
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program		93.778	69,926		69,926	
Total Department of Health and Human Services			92,690		92,690	
Totals			\$1,466,341	\$73,498	\$1,438,842	\$73,498

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

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 22, 2005, 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 December 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

December 22, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Campbell City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. 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, 2004.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

December 22, 2005

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

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

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

1. Title of Finding

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

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	A Finding for Recovery for public money collected but unaccounted for and money due but not collected was issued against Mark Greene, Varsity Track Coach, in the amount of \$7,645.	Yes	Mr. Mark Greene has made full restitution of the Finding for Recovery.
2003-002	A citation was made against a Board of Education policy due to the Board not giving prior approval for all purchases over \$1,000, but less than the bidding threshold.	No	The Board is still not in compliance with this policy, nor have they amended it if they no longer wish to comply. This matter will be repeated as a management letter citation.
2003-003	A reportable condition was found regarding student activity fundraiser procedures.	Yes	The Board has adopted a policy for procedures on student activity fund raisers.



**Auditor of State
Betty Montgomery**

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CAMPBELL CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**