



**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 general-purpose financial statements of Campbell City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Campbell City School District, Mahoning County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary funds and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose 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

April 23, 2004

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CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,166,496	\$ 756,666	\$ 6,780	\$ 266,030
Investments	-	-	-	1,006,562
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Investments - nonexpendable trust fund	-	-	-	-
Cash with escrow agent	-	-	-	447,014
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	3,600,313	60,479	375,214	-
Accounts	266	-	-	-
Accrued interest	10,563	-	-	-
Interfund loans receivable	363,824	-	-	-
Due from other governments	4,735	92,235	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	38,583	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	80,192	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 5,264,972</u>	<u>\$ 909,380</u>	<u>\$ 381,994</u>	<u>\$ 1,719,606</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 148,175	\$ 37,831	\$ -	\$ 2,463
Contracts payable	-	-	-	936,096
Retainage payable	-	-	-	447,014
Accrued wages and benefits	863,088	106,160	-	-
Compensated absences payable	104,501	2,117	-	-
Pension obligation payable	165,922	17,696	-	10
Interfund loans payable	-	138,825	27,449	197,550
Deferred revenue	3,600,313	125,212	375,214	-
Due to students	-	-	-	-
Due to other governments	56,115	16,431	-	-
General obligation bonds payable	-	-	-	-
Capital appreciation bonds payable	-	-	-	-
Energy conservation notes payable	-	-	-	-
Total liabilities	<u>4,938,114</u>	<u>444,272</u>	<u>402,663</u>	<u>1,583,133</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	42,064	106,060	-	8,062
Reserved for prepayments	38,583	-	-	-
Reserved for BWC refunds	80,192	-	-	-
Reserved for principal endowment	-	-	-	-
Reserved for scholarships	-	-	-	-
Unreserved-undesignated	166,019	359,048	(20,669)	128,411
Total equity and other credits	<u>326,858</u>	<u>465,108</u>	<u>(20,669)</u>	<u>136,473</u>
Total liabilities, equity and other credits	<u>\$ 5,264,972</u>	<u>\$ 909,380</u>	<u>\$ 381,994</u>	<u>\$ 1,719,606</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 165,565	\$ 46,345	\$ -	\$ -	\$ 2,407,882
-	-	-	-	1,006,562
-	28,222	-	-	28,222
-	11,544	-	-	11,544
-	-	-	-	447,014
-	-	-	-	4,036,006
-	-	-	-	266
-	-	-	-	10,563
-	-	-	-	363,824
9,801	-	-	-	106,771
16,542	-	-	-	16,542
-	-	-	-	38,583
-	-	-	-	80,192
42,537	-	34,256,768	-	34,299,305
-	-	-	3,435,376	3,435,376
<u>\$ 234,445</u>	<u>\$ 86,111</u>	<u>\$ 34,256,768</u>	<u>\$ 3,435,376</u>	<u>\$ 46,288,652</u>
\$ -	\$ 7,700	\$ -	\$ -	\$ 196,169
-	-	-	-	936,096
-	-	-	-	447,014
6,439	-	-	-	975,687
8,529	-	-	485,734	600,881
18,710	-	-	100,161	302,499
-	-	-	-	363,824
-	-	-	-	4,100,739
-	38,707	-	-	38,707
1,407	-	-	-	73,953
-	-	-	2,555,000	2,555,000
-	-	-	154,980	154,980
-	-	-	139,501	139,501
<u>35,085</u>	<u>46,407</u>	<u>-</u>	<u>3,435,376</u>	<u>10,885,050</u>
-	-	34,256,768	-	34,256,768
199,360	-	-	-	199,360
-	-	-	-	156,186
-	-	-	-	38,583
-	-	-	-	80,192
-	34,556	-	-	34,556
-	310	-	-	310
-	4,838	-	-	637,647
<u>199,360</u>	<u>39,704</u>	<u>34,256,768</u>	<u>-</u>	<u>35,403,602</u>
<u>\$ 234,445</u>	<u>\$ 86,111</u>	<u>\$ 34,256,768</u>	<u>\$ 3,435,376</u>	<u>\$ 46,288,652</u>

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CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,087,323	\$ 30,507	\$ 222,699	\$ -	\$ -	\$ 2,340,529
Tuition	27,894	-	-	-	-	27,894
Earnings on investments	74,240	663	-	5,839	-	80,742
Extracurricular	-	91,138	-	-	-	91,138
Other local revenues	44,633	7,805	-	-	4,600	57,038
Other revenue	-	23,000	-	-	-	23,000
Intergovernmental - State	7,928,969	921,950	34,005	3,147,876	-	12,032,800
Intergovernmental - Federal	116,286	858,227	-	-	-	974,513
Total revenue	<u>10,279,345</u>	<u>1,933,290</u>	<u>256,704</u>	<u>3,153,715</u>	<u>4,600</u>	<u>15,627,654</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,475,970	1,049,955	-	29,572	-	5,555,497
Special	1,151,678	729,887	-	-	-	1,881,565
Vocational	187,083	-	-	-	-	187,083
Other	100,536	514	-	-	-	101,050
Support services:						
Pupil	394,888	133,608	-	-	-	528,496
Instructional staff	353,915	128,043	-	-	-	481,958
Board of Education	57,904	-	-	-	-	57,904
Administration	883,764	48,261	-	-	-	932,025
Fiscal	348,355	585	-	5,683	-	354,623
Business	55,599	-	-	-	-	55,599
Operations and maintenance	1,650,162	48	-	-	-	1,650,210
Pupil transportation	429,046	-	-	-	-	429,046
Central	-	8,530	-	-	-	8,530
Community services	-	1,724	-	45,107	3,800	50,631
Extracurricular activities	176,324	90,863	-	-	-	267,187
Facilities acquisition and construction	-	-	-	6,078,416	-	6,078,416
Intergovernmental pass-through	-	96,794	-	-	-	96,794
Debt service:						
Principal retirement	-	-	182,320	-	-	182,320
Interest and fiscal charges	-	-	152,697	-	-	152,697
Total expenditures	<u>10,265,224</u>	<u>2,288,812</u>	<u>335,017</u>	<u>6,158,778</u>	<u>3,800</u>	<u>19,051,631</u>
Excess (deficiency) of revenues over (under) expenditures	14,121	(355,522)	(78,313)	(3,005,063)	800	(3,423,977)
Other financing sources (uses):						
Proceeds from sale of fixed assets	35,911	-	-	870	-	36,781
Operating transfers in	-	5,500	-	444,650	-	450,150
Operating transfers out	(449,650)	(500)	-	-	-	(450,150)
Total other financing sources (uses)	<u>(413,739)</u>	<u>5,000</u>	<u>-</u>	<u>445,520</u>	<u>-</u>	<u>36,781</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(399,618)	(350,522)	(78,313)	(2,559,543)	800	(3,387,196)
Fund balances, July 1 (restated)	726,476	815,630	57,644	2,696,016	4,038	4,299,804
Fund balances (deficit), June 30	<u>\$ 326,858</u>	<u>\$ 465,108</u>	<u>\$ (20,669)</u>	<u>\$ 136,473</u>	<u>\$ 4,838</u>	<u>\$ 912,608</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICITS)
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,087,324	\$ 2,087,323	\$ (1)	\$ 30,507	\$ 30,507	\$ -
Tuition	23,274	27,894	4,620	-	-	-
Earnings on investments	47,655	57,115	9,460	633	663	30
Extracurricular	-	-	-	87,061	91,138	4,077
Other local revenues	37,050	44,405	7,355	5,875	6,150	275
Other revenue	-	-	-	21,971	23,000	1,029
Intergovernmental - State	6,621,897	7,936,361	1,314,464	880,711	921,951	41,240
Intergovernmental - Federal	93,075	111,551	18,476	793,565	830,725	37,160
Total revenues	<u>8,910,275</u>	<u>10,264,649</u>	<u>1,354,374</u>	<u>1,820,323</u>	<u>1,904,134</u>	<u>83,811</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,356,807	4,457,479	(100,672)	43,158	1,066,641	(1,023,483)
Special	1,066,526	1,116,969	(50,443)	820,430	798,431	21,999
Vocational	147,861	159,292	(11,431)	-	-	-
Other	100,536	100,536	-	-	-	-
Support services:						
Pupil	362,790	385,641	(22,851)	23,616	135,998	(112,382)
Instructional staff	346,033	354,380	(8,347)	48,806	131,685	(82,879)
Board of Education	68,986	58,089	10,897	-	-	-
Administration	924,092	866,878	57,214	66,687	58,765	7,922
Fiscal	347,002	350,773	(3,771)	-	555	(555)
Business	55,599	55,599	-	-	-	-
Operations and maintenance	1,716,884	1,686,840	30,044	58,466	69,396	(10,930)
Pupil transportation	315,412	431,214	(115,802)	-	-	-
Central	-	-	-	-	8,530	(8,530)
Community services	-	-	-	10,277	5,156	5,121
Extracurricular activities	178,303	178,303	-	10,818	91,094	(80,276)
Facilities acquisition and construction	-	-	-	-	-	-
Intergovernmental pass-through	-	-	-	-	96,794	(96,794)
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>9,986,831</u>	<u>10,201,993</u>	<u>(215,162)</u>	<u>1,082,258</u>	<u>2,463,045</u>	<u>(1,380,787)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,076,556)	62,656	1,139,212	738,065	(558,911)	(1,296,976)
Other financing sources (uses):						
Proceeds from sale of fixed assets	29,963	35,911	5,948	-	-	-
Advances in	834,374	1,000,000	165,626	84,029	87,964	3,935
Advances out	(1,040,168)	(1,312,962)	(272,794)	-	-	-
Operating transfers in	711,622	852,881	141,259	5,564	5,825	261
Operating transfers out	(636,730)	(1,302,531)	(665,801)	-	(700)	(700)
Refund of prior year expenditure	21	25	4	-	-	-
Total other financing sources (uses)	<u>(100,918)</u>	<u>(726,676)</u>	<u>(625,758)</u>	<u>89,593</u>	<u>93,089</u>	<u>3,496</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,177,474)	(664,020)	513,454	827,658	(465,822)	(1,293,480)
Fund balances (deficit), July 1 (restated)	1,643,617	1,643,617	-	995,292	995,292	-
Prior year encumbrances appropriated	70,185	70,185	-	82,040	82,040	-
Fund balances (deficits), June 30	<u>\$ 536,328</u>	<u>\$ 1,049,782</u>	<u>\$ 513,454</u>	<u>\$ 1,904,990</u>	<u>\$ 611,510</u>	<u>\$ (1,293,480)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 216,657	\$ 222,699	\$ 6,042	\$ 6,974	\$ -	\$ (6,974)	\$ 2,341,462	\$ 2,340,529	\$ (933)
-	-	-	-	-	-	23,274	27,894	4,620
-	-	-	33,644	40,094	6,450	81,932	97,872	15,940
-	-	-	-	-	-	87,061	91,138	4,077
-	-	-	-	-	-	42,925	50,555	7,630
-	-	-	-	-	-	21,971	23,000	1,029
18,299	34,005	15,706	2,641,463	3,147,876	506,413	10,162,370	12,040,193	1,877,823
-	-	-	-	-	-	886,640	942,276	55,636
<u>234,956</u>	<u>256,704</u>	<u>21,748</u>	<u>2,682,081</u>	<u>3,187,970</u>	<u>505,889</u>	<u>13,647,635</u>	<u>15,613,457</u>	<u>1,965,822</u>
-	-	-	5,786	29,570	(23,784)	4,405,751	5,553,690	(1,147,939)
-	-	-	-	-	-	1,886,956	1,915,400	(28,444)
-	-	-	-	-	-	147,861	159,292	(11,431)
-	-	-	-	-	-	100,536	100,536	-
-	-	-	-	-	-	386,406	521,639	(135,233)
-	-	-	-	-	-	394,839	486,065	(91,226)
-	-	-	-	-	-	68,986	58,089	10,897
-	-	-	-	-	-	990,779	925,643	65,136
3,444	-	3,444	4,176	5,684	(1,508)	354,622	357,012	(2,390)
-	-	-	-	-	-	55,599	55,599	-
-	-	-	-	-	-	1,775,350	1,756,236	19,114
-	-	-	-	-	-	315,412	431,214	(115,802)
-	-	-	-	-	-	-	8,530	(8,530)
-	-	-	-	45,220	(45,220)	10,277	50,376	(40,099)
-	-	-	-	-	-	189,121	269,397	(80,276)
-	-	-	11,334,653	8,894,923	2,439,730	11,334,653	8,894,923	2,439,730
-	-	-	-	-	-	-	96,794	(96,794)
182,320	182,320	-	-	-	-	182,320	182,320	-
153,000	152,697	303	-	-	-	153,000	152,697	303
<u>338,764</u>	<u>335,017</u>	<u>3,747</u>	<u>11,344,615</u>	<u>8,975,397</u>	<u>2,369,218</u>	<u>22,752,468</u>	<u>21,975,452</u>	<u>777,016</u>
(103,808)	(78,313)	25,495	(8,662,534)	(5,787,427)	2,875,107	(9,104,833)	(6,361,995)	2,742,838
-	-	-	730	870	140	30,693	36,781	6,088
14,771	27,449	12,678	1,004,894	1,197,549	192,655	1,938,068	2,312,962	374,894
-	-	-	-	(1,000,000)	(1,000,000)	(1,040,168)	(2,312,962)	(1,272,794)
-	-	-	806,163	960,718	154,555	1,523,349	1,819,424	296,075
-	-	-	-	(516,068)	(516,068)	(636,730)	(1,819,299)	(1,182,569)
-	-	-	-	-	-	21	25	4
<u>14,771</u>	<u>27,449</u>	<u>12,678</u>	<u>1,811,787</u>	<u>643,069</u>	<u>(1,168,718)</u>	<u>1,815,233</u>	<u>36,931</u>	<u>(1,778,302)</u>
(89,037)	(50,864)	38,173	(6,850,747)	(5,144,358)	1,706,389	(7,289,600)	(6,325,064)	964,536
57,644	57,644	-	(2,480,260)	(2,480,260)	-	216,293	216,293	-
-	-	-	8,101,440	8,101,440	-	8,253,665	8,253,665	-
<u>\$ (31,393)</u>	<u>\$ 6,780</u>	<u>\$ 38,173</u>	<u>\$ (1,229,567)</u>	<u>\$ 476,822</u>	<u>\$ 1,706,389</u>	<u>\$ 1,180,358</u>	<u>\$ 2,144,894</u>	<u>\$ 964,536</u>

CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS/FUND EQUITY
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Sales and charges for services	\$ 78,011	\$ -	\$ 78,011
Tuition and fees	68	-	68
Investment earnings	-	310	310
Other	<u>-</u>	<u>19,745</u>	<u>19,745</u>
 Total operating revenues	 <u>78,079</u>	 <u>20,055</u>	 <u>98,134</u>
Operating expenses:			
Personal services	239,589	-	239,589
Contract services	15,349	-	15,349
Materials and supplies	267,996	-	267,996
Depreciation	4,109	-	4,109
Other	<u>-</u>	<u>6,700</u>	<u>6,700</u>
 Total operating expenses	 <u>527,043</u>	 <u>6,700</u>	 <u>533,743</u>
 Operating income (loss)	 <u>(448,964)</u>	 <u>13,355</u>	 <u>(435,609)</u>
Nonoperating revenues:			
Operating grants	365,887	-	365,887
Federal donated commodities	51,768	-	51,768
Investment earnings	<u>2,697</u>	<u>-</u>	<u>2,697</u>
 Total nonoperating revenues	 <u>420,352</u>	 <u>-</u>	 <u>420,352</u>
 Net income (loss)	 <u>(28,612)</u>	 <u>13,355</u>	 <u>(15,257)</u>
Retained earnings/fund equity, July 1	<u>227,972</u>	<u>21,511</u>	<u>249,483</u>
Retained earnings/fund equity, June 30	<u>\$ 199,360</u>	<u>\$ 34,866</u>	<u>\$ 234,226</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from sales and service charges	\$ 78,011	\$ -	\$ 78,011
Cash received from tuition and fees	68	-	68
Cash received from other revenues	-	19,745	19,745
Cash payments for personal services	(231,770)	-	(231,770)
Cash payments for contract services	(15,349)	-	(15,349)
Cash payments for materials and supplies	(228,088)	-	(228,088)
Cash payments for other expenses	-	(2,100)	(2,100)
Net cash provided by (used in) operating activities	<u>(397,128)</u>	<u>17,645</u>	<u>(379,483)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	<u>363,777</u>	<u>-</u>	<u>363,777</u>
Net cash provided by noncapital financing activities	<u>363,777</u>	<u>-</u>	<u>363,777</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(18,548)</u>	<u>-</u>	<u>(18,548)</u>
Net cash used in capital and related financing activities	<u>(18,548)</u>	<u>-</u>	<u>(18,548)</u>
Cash flows from investing activities:			
Interest received	<u>2,697</u>	<u>354</u>	<u>3,051</u>
Net cash provided by investing activities	<u>2,697</u>	<u>354</u>	<u>3,051</u>
Net increase (decrease) in cash and cash equivalents	(49,202)	17,999	(31,203)
Cash and cash equivalents at beginning of year	<u>214,767</u>	<u>10,223</u>	<u>224,990</u>
Cash and cash equivalents at end of year	<u>\$ 165,565</u>	<u>\$ 28,222</u>	<u>\$ 193,787</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (448,964)	\$ 13,355	\$ (435,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,109	-	4,109
Federal donated commodities	51,768	-	51,768
Interest reported as operating income	-	(310)	(310)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(11,860)	-	(11,860)
Increase in accounts payable	-	4,600	4,600
Increase in accrued wages and benefits	1,679	-	1,679
Increase in compensated absences payable	4,889	-	4,889
Increase in pension obligation payable	3,234	-	3,234
Decrease in due to other governments	(1,983)	-	(1,983)
Net cash provided by (used in) operating activities	<u>\$ (397,128)</u>	<u>\$ 17,645</u>	<u>\$ (379,483)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 355th largest in the State of Ohio (among 740 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 65 non-certificated and 145 certificated personnel to provide services to approximately 1,591 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the 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, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS, a Council of Governments (the "COG"), is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports the COG based upon a per pupil charge, which was \$40 for fiscal year 2003. The District paid \$28,366 to the COG during fiscal year 2003.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The COG is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of the COG including budgeting, appropriating, contracting and designating management. All of the COG revenues are generated from charges for services and State funding.

Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP was established under Section 4123.29 of the Ohio Revised Code. 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 OSBA. 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental funds:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary funds:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. At June 30, 2003, there were no accruals for the agency fund that, in other fund types, would be recognized in the combined balance sheet.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. 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 2003 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 of any fund appropriation 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. Not all funds completed the year within the amount of their legally authorized cash basis appropriation (see Note 3.B).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

7. Appropriation 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 June 30, 2003. The budget figures which appear in the statements of budgetary comparisons represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
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.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 11 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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" and "Investments" on the combined balance sheet.

During fiscal year 2003, investments were limited to certificates of deposit, U.S. Government money market mutual funds and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$74,240, which includes \$57,896 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

F. Inventory

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 the balance sheet date 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, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and severance for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, Bureau of Workers' Compensation (BWC) refunds, principal endowment and scholarships. Although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

K. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

See Note 5 for an analysis of interfund transactions.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Fund balance reserves have also been established. See Note 16 for details.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

M. Estimates

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

N. Parochial Schools

Within the District boundaries, St. Joseph's is operated through the Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and distributed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The receipt and fiduciary liability of these state monies are reflected in a special revenue fund for financial reporting purposes.

O. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the consumption method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

During fiscal year 2000, the District issued a tax anticipation note in the amount of \$2,859,000. The proceeds of this note were receipted in the Classroom Facilities capital projects fund. During fiscal year 2001, this tax anticipation note was retired, however, the expenditure for principal retirement was never recorded. Therefore, fund balance as of June 30, 2002 in the capital projects funds was overstated and a prior period adjustment is required. This prior period adjustment had the following effect on fund balance as previously reported:

	<u>Capital Projects</u>
Fund balance as of June 30, 2002	\$ 5,555,016
Adjustment for prior retirement of note	<u>(2,859,000)</u>
Restated fund balance as of July 1, 2002	<u>\$ 2,696,016</u>

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Teacher Development	\$ 296
Adult Basic Education	902
EESA/NDEA	12
IDEA Part B Grants	56,386
Title I	5,970
Title VI	1,096
Miscellaneous Federal Grants	49,908
 <u>Debt Service Fund</u>	
Bond Retirement	20,669
 <u>Capital Projects Fund</u>	
Classroom Facilities	338,474

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. These deficits are caused by accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by anticipated intergovernmental revenues and subsidies not recognized at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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" and "Investments". State 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

Interim monies 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and

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 \$2,494,823 and the bank balance was \$2,653,065. These amounts include \$21,209 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$121,209 was covered by federal depository insurance; and
2. \$2,531,856 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, 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 could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Collateral is required for demand deposits and certificates of deposits 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: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in U.S. government money market mutual funds are uncatagorized investments since they are not evidenced by securities that exist in physical or book entry form.

	Category of Risk 2	Reported Value	Fair Value
Federal agency securities	<u>\$1,006,562</u>	\$1,006,562	\$1,006,562
	<u>\$1,006,562</u>		
U.S. Government money market mutual funds		33,017	33,017
Total investments		\$1,039,579	\$1,039,579

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

A reconciliation between the classifications of pooled cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$2,516,296	\$1,018,106
Investments of the cash management pool:		
U.S. Government money market mutual fund	(33,017)	33,017
Certificates of deposits with maturity greater than 90 days	<u>11,544</u>	<u>(11,544)</u>
GASB Statement No. 3	<u>\$2,494,823</u>	<u>\$1,039,579</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$449,650
<u>Special Revenue Funds</u>		
Public School Support	500	-
Other Grants	5,000	-
District Managed Activity	-	500
<u>Capital Projects Funds</u>		
Classroom Facilities	<u>444,650</u>	<u>-</u>
Total	<u>\$450,150</u>	<u>\$450,150</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's interfund loans at June 30, 2003:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$363,824	\$ -
<u>Special Revenue Funds</u>		
IDEA Part B Grants	-	64,303
Title I	-	2,826
Title VI	-	654
Drug Free School Grant	-	10,143
Miscellaneous Federal Grants	-	60,899
<u>Debt Service Fund</u>		
Bond Retirement	-	27,449
<u>Capital Projects Fund</u>		
Classroom Facilities	-	<u>197,550</u>
Total	<u>\$363,824</u>	<u>\$363,824</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$72,978,820. Agricultural/residential and public utility/minerals real estate represented \$55,686,220 or 76.30% of this total; commercial & industrial real estate represented \$6,455,170 or 8.85% of this total, public utility tangible represented \$3,853,490 or 5.28% of this total and general tangible property represented \$6,983,940 or 9.57% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$39.40 per \$1,000.00 of assessed valuation for operations, \$3.65 per \$1,000.00 of assessed valuation for debt service and \$0.50 per \$1,000.00 of assessed valuation for permanent improvements.

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.

The District receives property taxes from Mahoning County. The County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available to the District at June 30, 2003.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans and intergovernmental grants and entitlements (to the extent eligibility requirements have been met). Intergovernmental receivables have been recorded as "Due From Other Governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of state programs and the current year guarantee of federal funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,600,313
Accrued interest	10,563
Interfund loans	363,824
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	60,479
Due from other governments	92,235
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	375,214

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Land/improvements	\$ 16,025	\$ -	\$ -	\$ 16,025
Buildings/improvements	4,087,559	27,951,603	-	32,039,162
Furniture/equipment	1,502,416	81,664	-	1,584,080
Vehicles	490,913	126,588	-	617,501
Construction in process	<u>22,787,175</u>	<u>5,164,428</u>	<u>(27,951,603)</u>	<u>-</u>
 Total	 <u>\$28,884,088</u>	 <u>\$33,324,283</u>	 <u>\$(27,951,603)</u>	 <u>\$34,256,768</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 189,238
Less: accumulated depreciation	<u>(146,701)</u>
 Net fixed assets	 <u>\$ 42,537</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - 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/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. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond 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 itself 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, 2003, the total estimated cost of the Construction Project is \$27,951,603, of which OSFC will pay \$21,056,504.

In conjunction with the 3.3 mills which support the bond issue, the District also passed in fiscal 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the special revenue funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 14.5190641%), December 1, 2013 (effective interest 14.5190511%), and December 1, 2014 (effective interest 14.5191251%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$114,000. A total of \$40,980 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2003. 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.

The following is a schedule of activity for fiscal 2003 on the general obligation bonds:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Current interest bonds	\$2,650,000	\$ -	\$(95,000)	\$2,555,000
Capital appreciation bonds	<u>139,533</u>	<u>15,447</u>	<u>-</u>	<u>154,980</u>
Total G.O. bonds	<u>\$2,789,533</u>	<u>\$15,447</u>	<u>\$(95,000)</u>	<u>\$2,709,980</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 95,000	\$ 137,560	\$ 232,560	\$ -	\$ -	\$ -
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 - 2013	540,000	487,239	1,027,239	155,000	-	155,000
2014 - 2018	485,000	387,408	872,408	310,000	-	310,000
2019 - 2023	<u>1,005,000</u>	<u>150,794</u>	<u>1,155,794</u>	-	-	-
Total	<u>\$2,555,000</u>	<u>\$1,662,986</u>	<u>\$4,217,986</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 unmatured obligations at year-end are accounted for in the general long-term obligations account group.

The following is a description of the District's notes outstanding as of June 30, 2003:

	Interest Rate	Issue Date	Maturity Date	Outstanding July 1, 2002	Retired in 2003	Outstanding June 30, 2003
Energy Conservation Notes	5.15%	05/23/96	11/30/04	<u>\$226,821</u>	<u>\$(87,320)</u>	<u>\$139,501</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2004	\$ 91,800	\$6,019	\$ 97,819
2005	<u>47,701</u>	<u>1,228</u>	<u>48,929</u>
Total	<u>\$139,501</u>	<u>\$7,247</u>	<u>\$146,748</u>

C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
General obligation bonds	\$2,789,533	\$ 15,447	\$ (95,000)	\$2,709,980
Energy conservation notes payable	226,821	-	(87,320)	139,501
Compensated absences	495,153	-	(9,419)	485,734
Pension obligation payable	<u>84,685</u>	<u>100,161</u>	<u>(84,685)</u>	<u>100,161</u>
Total	<u>\$3,596,192</u>	<u>\$115,608</u>	<u>\$(276,424)</u>	<u>\$3,435,376</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, 2003 are a voted debt margin of 3,858,114 and an unvoted debt margin \$72,979.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - 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 13 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 District 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 78,011	\$ 68	\$ 78,079
Operating expenses before depreciation	522,934	-	522,934
Depreciation	4,109	-	4,109
Operating income/(loss)	(449,032)	68	(448,964)
Nonoperating Revenues:			
Operating grants	365,887	-	365,887
Interest Revenue	2,697	-	2,697
Donated Commodities	51,768	-	51,768
Net income/(loss)	(28,680)	68	(28,612)
Net working capital	170,919	850	171,769
Total assets	233,595	850	234,445
Total liabilities	35,085	-	35,085
Total equity	198,510	850	199,360
Encumbrances at 06/30/02	1,284	-	1,284

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - 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 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$244,935, \$203,841, and \$194,707, respectively; 55.48% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$109,056, represents the unpaid contribution for fiscal year 2003.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - 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 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$778,000, \$735,289 and \$688,057, respectively; 80.56% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$151,224, represents the unpaid contribution for fiscal year 2003. Contributions to the DC and Combined Plans for fiscal year 2003 were \$617 made by the District and \$2,012 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - 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 \$55,571 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% 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 2003, the minimum pay has been established at \$12,400. 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$116,347 during the 2003 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 14 - 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 governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(664,020)	\$(465,822)	\$(50,864)	\$(5,144,358)
Net adjustment for revenue accruals	14,696	29,156	-	(34,255)
Net adjustment for expenditure accruals	(253,575)	29,077	-	2,020,849
Net adjustment for other financing sources/(uses)	312,937	(88,089)	(27,449)	(197,549)
Encumbrances (budget basis)	<u>190,344</u>	<u>145,156</u>	<u>-</u>	<u>795,770</u>
GAAP basis	<u>\$(399,618)</u>	<u>\$(350,522)</u>	<u>\$(78,313)</u>	<u>\$(2,559,543)</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

The District is not currently a party to any legal proceedings that could have a material effect on the financial statements.

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 School 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - 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, 2003, 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, 2002	\$ 9,643	\$ -	\$80,192
Current year set-aside requirement	212,297	212,297	-
Qualifying disbursements	<u>(244,296)</u>	<u>(990,635)</u>	<u>-</u>
Total	<u>\$ (22,356)</u>	<u>\$(778,338)</u>	<u>\$80,192</u>
Cash balance carried forward to FY2004	<u>\$ (22,356)</u>	<u>\$ -</u>	<u>\$80,192</u>

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.

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$80,192</u>
Total restricted assets	<u>\$80,192</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District has total outstanding contractual commitments of \$748,609 related to the Construction Project outlined in Note 9.A., which is included as a component of contracts payable on the Combined Balance Sheet - All Fund Types and Account Groups.

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

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>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$51,768		\$51,768
National School Lunch Program	043703-LLP4-2002	10.555	\$38,185		\$38,185	
	043703-LLP4-2003	10.555	231,275		231,275	
Total National School Lunch			269,460		269,460	
National School Breakfast Program	043703-05PU-2002	10.553	11,598		11,598	
	043703-05PU-2002	10.553	60,858		60,858	
Total National School Breakfast Program			72,456		72,456	
Total U.S. Department of Agriculture - Nutrition Cluster			341,916	51,768	341,916	51,768
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	043703-6BSF-2002	84.027	30,310		80,576	
	043703-6BSF-2003	84.027	115,128		149,806	
Total Special Education Grants to States			145,438		230,382	
(ESEA Title I)	043703-C1S1-2002	84.010	11,427		209,366	
	043703-C1S1-2003	84.010	459,693		393,008	
Total			471,120		602,374	
Innovative Educational Program Strategies	043703-C2S1-2002	84.298	2,646		8,527	
	043703-C2S1-2003	84.298	12,399		12,399	
Total Innovative Educational Program Strategies			15,045		20,926	
Class Size Reduction (Title VI-R)	043703-CRS1_2002	84.340	11,527		11,527	
Eisenhower Grant	043703-MSS1-2001	84.281			928	
	043703-MSS1-2002	84.281			1,284	
Total Eisenhower Grant					2,212	
Drug-Free Schools Grant	043703-DRS1-2001	84.186			6,412	
	043703-DRS1-2002	84.186			2,323	
	043703-DRS1-2003	84.186	2,227		2,023	
Total Drug Free Schools Grant			2,227		10,758	
Raising the Bar	043703-TFS1-03	84.318	12,287		12,586	
Goals 2000	043703-G2S1-00	84.276			484	
Literacy Grant 2003		84.364	10,113		21,339	
Title II-A Improving Teacher Quality	043703-TRS1-2003	84.367	110,956		94,918	
Total Department of Education			778,713		1,007,506	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Pass Through Ohio Department of Mental Retardation and Departmental Disabilities</i>						
Medical Assistance Program	Ohio Dept of MR/DD	93.778	104,551		104,551	
Totals			\$1,225,180	\$51,768	\$1,453,973	\$51,768

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

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

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 District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the 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 COMPLIANCE AND ON INTERNAL CONTROL 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 Campbell City School District, Mahoning County, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated April 23, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Campbell City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Campbell City School District in a separate letter dated April 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Campbell City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe reportable condition described above is a material weakness. We also noted other matters involving the internal controls over financial reporting that we have reported to management of Campbell City School District in a separate letter dated April 23, 2004.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by 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

April 23, 2004



Auditor of State Betty Montgomery

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

Campbell City School District
Mahoning County
280 Sixth Street
Campbell, Ohio 44505

To the Board of Education:

Compliance

We have audited the compliance of Campbell City School District, Mahoning County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Campbell City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Campbell City School District's management. Our responsibility is to express an opinion on Campbell City School 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs. An audit includes examining, on a test basis, evidence about Campbell City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Campbell City School District's compliance with those requirements.

In our opinion, Campbell City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Campbell City School District 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 Campbell City School District's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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 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 that would be material in relation to the major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal controls over financial reporting that we have reported to management of Campbell City School District in a separate letter dated April 23, 2004.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by 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

April 23, 2004

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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:	Nutrition Cluster /CFDA – 10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2003-001
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Finding for Recovery

A fundraiser for the track team involving the sale of candy bars was initiated by the Varsity Track Coach. The fundraiser was approved by the school principal and superintendent as evidenced by the "Request for Fund Raising Project" form. As indicated in the invoice from the vendor, 8,040 candy bars were ordered at \$.45 each, totaling \$3,618. These candy bars were to be sold by track team members for \$1 each, according to the "Request for Fund Raising Project" form. No candy bars were returned at the end of the project. Unless there were unsold candy bars, the amount of money to be accounted for from the fundraiser totals \$8,040. As of the end of the audit, the amount of money on deposit with the Treasurer, as evidenced by the checks turned into the Treasurer's Office, was \$395. This leaves \$7,645 unaccounted for. Based on the interview conducted with the track coach, total monies collected for the candy sales was \$3,600. Since only \$395 was deposited with the Treasurer, \$3,205 represents monies collected but unaccounted for. The remaining \$4,440 represents monies due but not collected.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for and money due but not collected is hereby issued against Mark Greene, Varsity Track Coach in the amount of seven thousand six hundred forty five dollars (\$7,645), and in favor of the District's Athletic Fund.

Finding Number	2003-002
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Purchasing Policy - Citation

The Campbell City School District's established policy provides in part that all purchases must be approved by the Board; in the case of purchases greater than \$1,000 but less than the bidding threshold, the Board must give prior approval to the purchase. The policy further states that any employee may be held personally responsible for purchases made without a properly signed purchase order or authorization prior to purchase or delivery.

During our audit we noted the Track Coach entered into several obligations without following the District's policy of obtaining a purchase order and having the Treasurer certify the availability of funds before entering into the obligations and subsequently having the District cut a check to pay the obligation. A mass deposit of checks was made by the Track Coach for various events, that appeared to include monies for candy sales, track shoes, warm ups, T-shirts and the athletic banquet. Except for the candy sale, none of these activities were approved fund raising activities or approved purchases, and it could not be determined, based on the records provided, how much should have been collected for these endeavors nor how much in total was actually collected. Also the Track Coach had no written authority to collect money from parents. The Track Coach incurred obligations under the name of the School District without prior approval or following the stated procedures for purchasing and without having funds available to pay for them, and as a result, the following obligations remain unpaid. This is contrary to the Campbell Board of Education purchasing policy.

Action Sports - \$5,925,	Ares Sportswear - \$1,331
Sporting Goods, Inc. - \$790	Runners World - \$1,127.

We recommend the District have their purchasing policies signed by each employee and maintain a copy of the signed policy in the employee's personnel file noting the employee's acknowledgement they were made aware of the policy and they are responsible for unauthorized purchases. In addition, the District should inform all vendors the District requires a purchase order for all obligations of the District.

Finding Number	2003-003
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Fundraiser - Reportable Condition

During the audit of the District's student activity fundraisers, we noted that not all information and/or deposits were turned into the Treasurer's office for each activity. It appeared there were a couple of fundraisers held, a fish fry and T-shirt sale that were not approved fundraisers. We further noted in a fundraiser dealing with catalog sales for cookies, the advisor, rather than depositing the monies with the Treasurer, used the monies to pay the vendor directly. The vendor verified the amount of sales, the amount of the obligation and the amount of profit reflected on the books were in agreement and accounted for properly for this fundraiser.

This condition may allow a student activity program to occur contrary to the Superintendent's and Board of Education's approval, and inhibit proper monitoring over student activity programs. It could further lead to a high risk that impropriety may occur and leave the District accounting for the liabilities without recourse.

The District's Student Activity Programs should have procedures in place to ensure that all project fundraisers are submitted to the Board for approval through the Building Principals and the Superintendent prior to commencement of any fundraiser. The start date and end date should be explicitly noted on the request. The District should also have a system of monitoring the ongoing progress from beginning through completion for every project being run through the school. The District should determine if the projects are being completed by the stated date, and if not, the cause for the delay in completion and the sufficiency of the evidence supporting the reason for the same. The Treasurer should also ensure the monies generated from each activity have been properly accounted for and deposited, and any inventory remaining reconciles to the amount Campbell City School District purchased plus cash received from the activity. Furthermore, expenses for each project must be paid through the District Treasurers office on a District check following the procedures adopted by the Board and used for all expenditures made by the District.

We did note the District adopted new policies regarding purchasing and student activities, subsequent to the development of the above issues that address many of these matters noted above. We recommend that every employee be given a copy of these policies and a signed copy of these policies be maintained in their personnel file. We also recommend that Building Principals and Superintendent approve all fund raising projects at least one month prior to their commencement, and document said approval by signing and dating the proper forms in accordance with the District's Student Activity Accounts and Fund Raising Policy.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	
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None

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-11150-001	ORC 5705.36 failure to obtain amended certificates of estimated resources as prescribed by the statute	Yes	
2002-11150-002	The Districts books were not in reconciliation with the balances as stated by the depository	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JUNE 29, 2004**